

Five Tips for Community Financial Institutions to Grow Market-Share

While the financial crisis has put many large banks into a tailspin, community financial institutions are seeing unprecedented opportunity. Many Americans blame Wall Street and the larger national banks for our current recession and are taking action by moving their business to community banks. Consumers are looking for more than just a place to keep their money—they're looking for a relationship with an institution they can trust. But, it's not as simple as unlocking the doors and waiting for the customers to pour in. Community financial institutions must offer a similar mix of products, services and support compared with what these customers have grown to expect from the industry giants.

First Data has been following this unique opportunity. We've researched the competitive landscape, and we've talked with many of our customers about their success and how they've been attracting new customers in record numbers. From this, we've taken five key lessons and developed a roadmap to help other community financial institutions leverage the current opportunity for growth.

Five Tips for Community FI Market-Share Growth

1 Ramp Up Your Products and Services

"We certainly evaluated our systems and made sure we had all the bells and whistles today's customers demand." —J. Pat Hickman, chairman and chief executive officer, Happy State Bank

Customers want access to their finances from multiple outlets, such as a computer, their mobile phone and a convenient ATM. Overall, customers who use self-service tools are more satisfied and loyal, as well as more profitable.

Online bankers are systematically easier and less costly to serve, using self-service tools instead of visiting a branch or needing a live phone agent. They tend to be more affluent and more likely to use a wide variety of services, averaging \$241 higher net annual profits than "offline" banking customers. These are the customers you want.

What you need to attract these customers:

- Internet banking with value-added features such as personal finance management, multi-year statement history, inter-institution account transfers and enhanced e-mail alerts
- A fully scalable business Internet banking product, with a menu of cash management options to choose from, including ACH batches, NACHA imports, prior- and current-day balance reporting, international wire transfers, electronic federal tax payments (EFTPS), positive pay/check reconciliation and more
- Online bill payment/presentation, with expedited payments, a future payment scheduler and recurring payment scheduling
- E-statements
- 24/7 telephone banking
- Mobile banking (SMS/text)
- Surcharge-free ATM network with plenty of convenient locations

2 Beef Up Security

"2009 will be the year that security becomes a brand builder." —Javelin Strategy and Research

Tough economic times historically show an increase in crime, and ID theft is expected to grow for the first time in four years. Recent activity has left customers nervous, and this is an opportune time for community financial institutions to not only reassure current account holders their money is safe, but to also attract new customers who may be scared to continue or expand their relationship with a national bank because of concerns about long-term solvency.

Customers believe community institutions safeguard them better online than big banks.

In fact, a recent Javelin Strategy and Research study asked participants to rate their financial institution's performance in protecting them while banking online. Ninety percent of credit union members and 81 percent of community bank customers rate their institution as very good or good. There exists a real opportunity to tout your financial institution as a reliable financial partner. With some modernization to your fraud toolset, you'll not only offer more protection for your current account holders, but you'll also give a boost to your brand and image at the same time.

Protect. Ensure online banking data is encrypted on servers and in transit using Triple DES encryption, SSL and Kerberos encryption technology, and that multi-factor user authentication and intrusion detection are in place. Catch debit card predators in their tracks with a neural network scoring tool that detects patterns of activity that are abnormal to the cardholder's normal spending pattern. Remember the fraudster isn't always an outside threat. In fact, according to the Internet Threat Resource Center, 24 percent of all data breaches that hit financial institutions in 2008 were committed from the inside. Products can be implemented to monitor internal transactions and detect potentially fraudulent activity on cardholder accounts by an employee of the financial institution.

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Teach. Approximately 51 percent of banking consumers say they share responsibility with their financial institution to protect their account information. Give account holders the tools they need to protect themselves. Teach them about phishing, pharming, skimming and all the other funny-named fraud methods with not-so-comical consequences. Build a library on your Web site, send out monthly e-mail alerts or send targeted notifications. More outreach will put your institution in a consultative position and make you a trusted expert in the eyes of your community.

Promote. Post a statement on your Web site or take out an ad in the local newspaper to clearly announce your strength and stability. A letter to customers from your president or CEO will go a long way to not only diminish your current account holders' fears, but also catch the eye of a prospective customer who is checking out the landscape.

3 Train Your Front Line

"Ninety percent of customer service is built on the front lines and they need to act as financial advisors, not order-takers." —Chris Williston, president and chief executive officer, Independent Bankers Association of Texas

Your front-line associates have a huge impact on your reputation and your ability to attract and keep new customers. Your associates should be educated on everything from how to pay a bill online, to the state of the industry and the stability of your institution. An associate who is not able to competently answer questions will send a potential customer packing before the revolving door makes a full turn. Regularly training associates and encouraging them to use your products give them the knowledge and confidence to effectively talk to customers, leading to higher customer satisfaction. Don't just have ordinary employees—cultivate product evangelists: people who know, use and like your products. A product evangelist will be able to intelligently talk to potential customers and generate excitement.

With an unprecedented amount of uncertainty in the financial marketplace today, customers are

going to have more questions than ever. Before prospective customers hand over their money to a new financial institution, they're going to want assurance that their money is safe.

4 Let People Know You Have Money To Lend

"We've been running television ads, billboards and Web videos promoting our lending program." —Meilinda Warchus, assistant vice president, Old Hickory Credit Union

The fact that there is no money to lend is a misconception. As national banks struggle to recover from bad loans, community banks didn't take the same risks and are in a much better liquidity position. The media has focused on the plight of the national banks and the fact they have drastically cut back on the number of loans they're writing. This situation has led to the general consensus that there is no loan money available, so why try? Although recent federal regulations have made it harder to qualify for a loan, the perception that there is no money to lend is just not true.

Squash this false perception in your community. Let it be known that you have money to lend, and you are ready and willing to look at viable loan opportunities. Target local businesses that may be in need of capital; advertise that car loans or home improvement loans are available, targeting people who may think it's a lost cause. Get the word out and start bringing in new applications.

5 Get the Word Out

"Our CEO wrote a letter speaking to our safety and stability, and we published that in the local newspaper and on our Web site." —Becky Morgan, vice president, The Exchange Bank of Alabama

There is no shame in taking advantage of the situation. Even though many community banks are seeing tremendous growth without doing anything at all, a little push never hurts. Customers are on the move and searching for a new place to keep their money. One instance of your financial institution's name flashed in front of a prospective customer could be all it takes to pique interest and encourage him or her to take a look at you.

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Here are what some First Data customers have been doing to capitalize on the current environment:

- A bank featured a letter written by the CEO that stressed the bank was strong and secure and had plenty of money to lend. The letter ran as an ad in the local newspaper and was also mailed to prospective customers. In addition, the bank targeted local businesses to promote its business banking products with lower fees than competitors.
- Another bank emphasized on its Web site that it is community owned and provides its customers “things the big banks can’t offer, such as relationship banking, exceptional service, local ownership, local decision-making and community involvement.”
- A less subtle ad campaign by a financial institution ran a program called “Dump Your Bank,” featuring financial relationship specialist

Dr. H. Grouper, who counsels consumers breaking up with their bank. A big hit among the Gen X and Gen Y crowds, the campaign featured viral marketing elements, such as a game with the objective to catch falling bankers in a dumpster, a make-your-own video application and an e-mail intervention to help friends break out of unhealthy relationships with their banks.

Community banks and credit unions are acquiring new customers and members at phenomenal rates. With money to lend and a stable financial picture, many traditional, large-banking customers are moving to a smaller institution where they can develop a long-term relationship and feel secure, but maintain the same level of convenience they received at their current bank. By following our five simple steps, you, too, can take advantage of this opportunity. It’s a great time to be a community financial institution.

A Global Leader in Electronic Commerce

First Data powers the global economy by making it easy, fast and secure for people and businesses around the world to buy goods and services using virtually any form of payment. Serving millions of merchant locations and thousands of card issuers, we have the expertise and insight to help you accelerate your business. Put our intelligence to work for you.