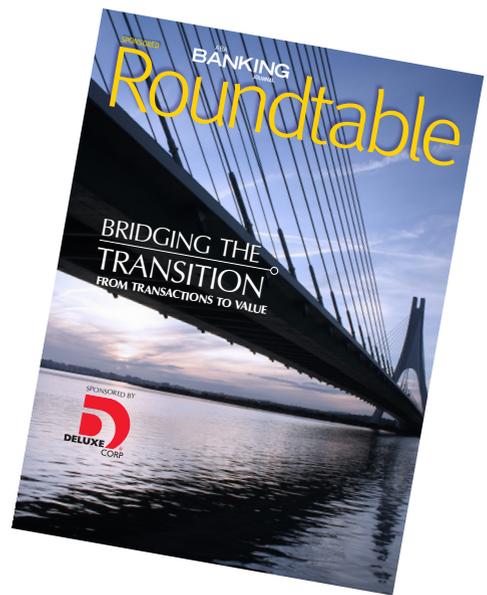


BRIDGING THE TRANSITION

FROM TRANSACTIONS TO VALUE



This is the online continuation of a sponsored roundtable contained in the November issue of *ABA Banking Journal*. The roundtable, a partnership between the publication and **Deluxe Corp.**, brought together five bankers and two consultants to explore near-term trends and challenges. To read more about the participants, [click here](#) to read a pdf of the print discussion.

Bill Streecher, editor-in-chief of ABA Banking Journal, moderated the discussion. What appears below is an edited report of the discussion.

Is the checking account still the core bank product?

STOKES It's still where the customer defines their main banking relationship. They might be doing more with a mutual fund, but they still define their bank as where their checking account is. It's easier to build from there than it is from any other product.



Denise Stokes
SANDY SPRING BANK

KOON That's where the information is—the richness of information in transactions and behavior.

HULSEY Now that everybody is in the payment-system business, what does it mean to have a checking account? The payment system that the customer is going to be using in the future could be radically different. The bank may wind up being an aggregator because customers have payments set up in different structures.

STEWART PayPal and Google are very active in that space. Apple is going to be in that space in a big way, too. In order to be defined as a bank customer, you have to open a checking account.

WOODS What would the Quik Mart version of banking products be, where you would walk into a branch—didn't matter if you had an account—grab something and pay for it?

ERHARDT The Patriot Act took away from us a little of the ability to do that because banks now have the responsibility to be gatekeepers into the financial system. A lot of what takes so long to open an account is we have to go through all the know-your-customer steps.



Mark Erhardt
FIFTH THIRD BANK

HULSEY I saw an interesting article where somebody had done a survey and asked customers, "If Apple were a bank, would you bank with Apple?" A huge percentage of people said yes, because they thought Apple would make it simple. We make it hard because we're driven by compliance issues, and the customer doesn't care about that. Sometimes I think our people stop too quickly, and don't take it one step further and think, "Is there some way that we can make this



Robert Hulsey
AMERICAN NATIONAL
BANK OF TEXAS

regulation easier on the customer?"

WOODS Right. *Design* for the customer; *account* for the regulation. Instead it's designed for the regulation, period.

KOON Many times, if you had a little bit more time to develop compliance solutions, you could do it in a more transparent way for the customer. So many times, however, you're just trying to keep pace with changing compliance demands.

Customers actually think regulation is a good thing, so you can play off that.

WOODS After the big regulations started to go into effect, we went into the field to speak with consumers and heard many say, "The regulations are to protect me." Then they would go into their branch and hear the bankers complaining about the regulations. So, they were forced to make a decision: "Whom do I trust?" And they chose not to trust the banker.

CANNARELLA We forget about this whole group graduating from college with more debt than ever before. And now they're in the workplace won-

dering *how do I get out of this?* If the bank could come in as the knight in shining armor and figure out a way to turn the tide, that's how this whole negative image problem could shift. They would never leave you.

Would it go so far as a banker saying, "You really ought to get rid of some of those credit cards"?

CANNARELLA As part of an overall strategy to become more financially stable, absolutely.

STEWART So why do they trust [financial author] Dave Ramsey instead of trusting their bank?

WOODS People are terrified of their bank knowing stuff about them. They think, "If the bank knows that I have made some of these mistakes, I will get a talking to." We saw this with small-business owners we spoke with. They said, "I don't want my bank to know any of this."

ERHARDT A lot of small-business owners like to keep their personal and business accounts separate, because they feel if my business is having some issues, I don't want them taking from my personal accounts. We asked in a survey how important it was to have a banker who was a part of your community. The more upscale the individual, the less they wanted that person to be from their community, because they were afraid that the banker would talk about them. They would be at the same clubs or in the same social circles and the banker would let it slip that "so-and-so's got this much money," or "so-and-so's having problems paying their loan."

CANNARELLA What we've seen in our focus groups about privacy is that it's not so much the bank that they might not trust, it's the way business is conducted. Also,



**Ann-Stanton
Cannarella**
AMERIS BANK

if you think about the way your typical banks are physically structured, where is that customer service rep typically in the bank? Right in the center—no partitions. You're sitting there, and you're having to give all your personal information. Who would do that, if you really think about it?

STEWART I had six checks that I went to deposit at the teller window, and one of them was suspect. I was embarrassed. They said they couldn't give me immediate access to funds, so I'm looking around thinking, "Oh, people in here think I'm a crook." So, I think that the fear of getting a negative response in public is real. It's supposed to be a very private business, but there doesn't seem to be very much privacy.



Davis Stewart
NEW MARKET PARTNERS

ERHARDT We lost our credibility in the past five years, so it's going to take a while to get it back. Simplifying things could help.

Our product team, for example, found that we disclosed six different charges that we almost never collected. So, we went back to our executives and recommended eliminating the charges and taking out the disclosures. Management bought into taking out that complexity. To me, that's relatively easy ground for a lot of organizations to take. Look at everything we do, and say, "Can I take out a step here and make it easier for the consumer?" That gives us back some credibility.

KOON I liked how Wachovia in their disclosures wouldn't just have the fine print. They would say more boldly, "**We think it's important that you know the following things... .**"

Also, you've got to approach things a little differently with your employees today. I found when I was running our Illinois bank that it's not good

enough to simply provide good direction. Particularly among the twenty-somethings, they don't want to know the face value of what the bank's policies are. They want to know "why" the policies are; they want to be engaged.

What else can be done in terms of conveying confidence and trust to customers?

WOODS We hear from consumers, "When I walk into the branch, and I want to make a deposit or take out a certain amount of money, the person I'm working with has to go get approval because it's over a certain amount. Well, if the bank doesn't trust the employee, why am I supposed to trust the employee?" To us, that policy is a good check and balance, but we forget about the consumer's interpretation.



Martie Woods
DELUXE CORP.

Brochures are increasingly ineffective. I trust you more if you actually handwrite stuff in the moment while you're talking to me and it's relevant to me. We did a study and found that customers could leave with a napkin on which you had written something, and they would trust you more than after an interaction where you give them a glossy, preprinted brochure.

STOKES A lot of what we've talked about today goes back to trust. As an industry, we need to be mindful that it only takes one check to bounce because a bank used high-to-low processing, or one instance where we've not been transparent in communicating fees, to destroy all the other things that we did right.

KOON When I was at Bank of America, after so many acquisitions in which the bank had imposed great and sometimes difficult change on the custom-



Jim Koon
TCF BANK

ers, we lost the trust of the employee base. In moving to a relationship-pricing program in 1998, we made certain commitments about what we *wouldn't* do in the future. One of the things that I think was most powerful was a video communication to all from Ken Lewis, telling them, in effect, "We will never again ask you to explain something to your customers that you won't be comfortable with as their banker." And that was part of a big turning point.

At TCF, we have just recently gone back to free checking as our baseline product offer. We could have brought free checking in as a new product and left current customers in monthly fee accounts, or we could go ahead and put everybody into free. We felt it was critical that we put everybody

in it because that makes the statement to the customer and to our associates that we're going in a better direction than many other banks might go.

WOODS I'll give you a nonbank example. When I signed up for Verizon cell service and was asked, "Do you need texting?" I said no. Well, I text all the time. I got a text one day from Verizon that said, "Would you like us to add texting to your plan? You will pay less." I think about Verizon totally differently now because of that.

KOON We have an opportunity to win trust. We'll make money on a sustainable basis if we create value for the customer.

STEWART When you think about our

competitive advantage, what payment tool did we invent that has ever gone away? There's not one. We are the most convenient industry for financial transactions and financial services, bar none.

WOODS Along the same lines, the whole progression of customer experience and the social economy is headed toward consumers making decisions about where their time is well spent. We're convenient enough. Don't follow convenience. Instead, figure out, "What could we do where we would ask a customer, 'Would you spend more time with us?' Then you'll be onto something."

CANNARELLA Instead of I *have* to go to the bank, I *want* to go to the bank. ■