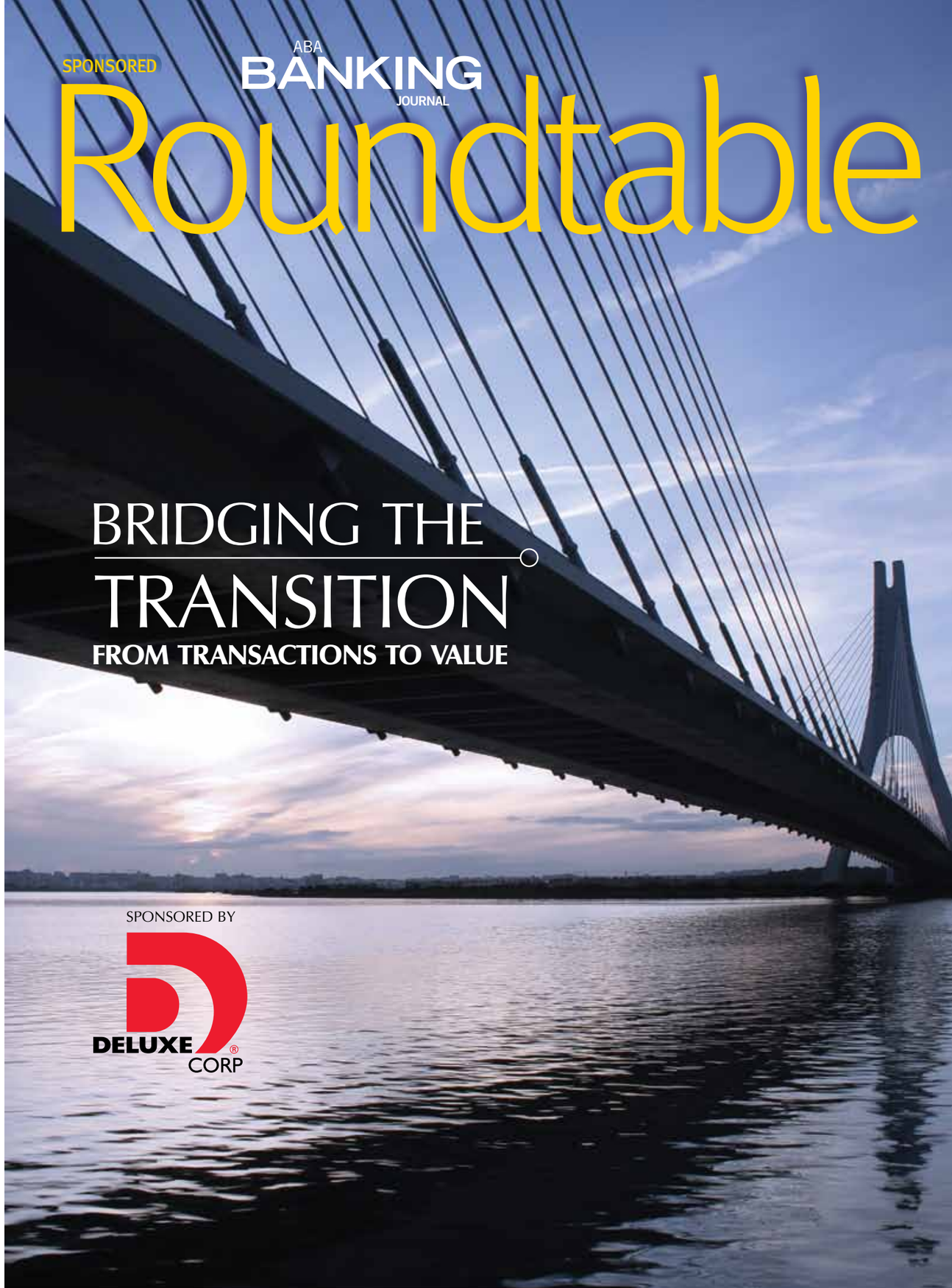

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ABA BANKING JOURNAL

Roundtable

BRIDGING THE TRANSITION

FROM TRANSACTIONS TO VALUE

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From Transactions to Value

How do you move from "have to" to "want to" when it comes to dealing with a bank? That question sums up both the challenge and opportunity bankers face in this period of rapid change.

The simple fact is that a large and growing number of people—of all demographic segments—no longer feel they "have to" deal with a bank and are far from wanting to. There are new options for them to handle financial transactions. This makes it even more imperative that banking institutions put themselves in the "want to" category.

Pressed on all sides by economic challenges, rapidly evolving technology, constricting rules and regulations, and many new competitors, bankers could be forgiven for feeling more than a little harassed. Yet banking is a resilient industry populated by bright and innovative people.

Put seven such people in a room for nearly three hours to discuss these challenges, and you have a recipe for a lively and insightful dialogue.

That's what we think you'll find here. *ABA Banking Journal* partnered with Deluxe Corp. to host a roundtable to explore the near-term future of the banking business. While much of the discussion focused on the retail side—including small business—the points made about customer preferences; relationships; privacy; and trust relate to all aspects of banking. The comments were not all about trends. Many specific ideas surfaced as well.

The panel was diverse and representative of the industry overall. Here are brief descriptions of the participants and their institutions.

Ann-Stanton Cannarella, assistant vice-president, marketing and sales manager, Ameris Bank, Moultrie, Ga. Cannarella has been with Ameris Bank for six years and heads up the Market-

> *"The days of 'cashing checks and moving on' are gone. Tellers and personal bankers must be conversation starters*

Ann-Stanton Cannarella

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OUR ROUNDTABLE PANELISTS

Ann-Stanton Cannarella

ASSISTANT VICE-PRESIDENT, MARKETING AND SALES MANAGER

AMERIS BANK, MOULTRIE, GA

Davis Stewart

PRESIDENT

NEW MARKET PARTNERS, COLLEGE PARK, GA

Denise Stokes

SENIOR VICE-PRESIDENT, RETAIL BANKING, AND CHIEF MARKETING OFFICER

SANDY SPRING BANK, COLUMBIA, MD

Jim Koon

EXECUTIVE VICE-PRESIDENT, RETAIL PRODUCTS

TCF BANK, MINNEAPOLIS

Mark Erhardt

SENIOR VICE-PRESIDENT, RETAIL PRODUCT AND CUSTOMER SEGMENT DIRECTOR

FIFTH THIRD BANK, CINCINNATI

Martie Woods

VICE-PRESIDENT AND CHIEF CUSTOMER EXPERIENCE OFFICER

DELUXE CORP., SHOREVIEW, MINN.

Robert Hulsey

PRESIDENT AND CEO

AMERICAN NATIONAL BANK OF TEXAS, TERRELL, TEXAS

Bill Streeter

EDITOR AND PUBLISHER

ABA BANKING JOURNAL, NEW YORK, N.Y.

> *If I were a bank CEO, I would invest in understanding what drives my customers' behavior*

ing Group for the $3 billion-assets bank. Founded 41 years ago, Ameris has 70 locations in four states in the Southeast. Cannarella says the bank is concentrating on growing business banking—small business, treasury services, ag banking, and SBA lending in particular.

Mark Erhardt, senior vice-president, retail product and customer segment director, Fifth Third Bank, Cincinnati. Erhardt has been in banking a little over 20 years, including stints at the original Key Bank and Old Kent Financial. Old Kent was acquired by Fifth Third, and Erhardt has held several posts in the $115 billion-assets company since then. Currently, he is responsible for deposit products, other fee-income products, direct-loan products, "with some customer segmentation mixed in with that."

Robert A. Hulsey, president and CEO, American National Bank of Texas, Terrell, Texas. The $2 billion-assets bank was founded in 1875, and Hulsey's family has been associated with it since the 1880s. After working for Texas Instruments for about six years, he joined the bank and became CEO in 1989. For most of its life, the bank was a traditional community bank. It has since amended that model by moving into cities where it targets companies with revenues under $20 million.

Jim Koon, executive vice-president, retail products, TCF Bank, Minneapolis. Koon describes himself as a journeyman banker, having spent nearly equal time in corporate positions as in the field. Prior to joining TCF, he was with Bank of America for 18 years. At TCF Financial, which has $18 billion in assets, Koon headed the company's Illinois and Wisconsin banks through 2006, and has since served as functional director for retail lending and director of retail deposit products.

Davis Stewart, president, New Market Partners, College Park, Ga. The consulting firm works solely within the financial-services industry, with a core focus on payment strategies for banks. Prior to forming New Market Partners, Stewart worked for Harland Financial Services for 20 years, then left to help start an internet banking practice at KPMG. Stewart also has worked for Digital Insight, Intuit, S1, and Certegy. He says his company's theme right now is "banks under siege."

Denise G. Stokes, senior vice-president, retail banking, and chief marketing officer, Sandy Spring Bank, Columbia, Md. The $4 billion-assets bank has 49 branches in Maryland and Virginia, primarily in the region surrounding Washington, D.C. The bank was founded just after the Civil War as an alternative for people not being served by the larger banks in Baltimore and Washington. Stokes has been with the bank about a year but has been working in banking her entire career. She, along with Jim Koon, is a NationsBank/Bank of America alumnus.

Martie Woods, vice-president and chief customer experience officer, Deluxe Corp., Shoreview, Minn. Woods


Davis Stewart

We need to reach out to clients and be more advisory-oriented than transaction-oriented

joined Deluxe 12 years ago from management consulting firm Personnel Decisions International. She and her team have wide-ranging responsibilities within the $1.45 billion company, including consumer research and consulting. The company has three divisions, but Woods works primarily for the financial-services division, where the focus is on customer acquisition and growth, payment and security programs, small business programs, regulatory compliance, and financial management.

Panel moderator was *Bill Streeter, editor and publisher, ABA Banking Journal.* Streeter became editor-in-chief in 1987, and added the publisher role in 2012.

What follows is an edited report of the panel's discussion.

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Is the business model for retail banking in need of an overhaul?

DENISE STOKES (SANDY SPRING BANK) We have so many more competitors than we had in the past. The business is no longer a matter of opening the doors and customers will come—like it was when I started in banking. Now, we need to reach out to clients and serve them in a relationship-oriented way with a full range of services, and be more advisory-oriented than transaction-oriented. That transition has been occurring in many ways—including people's ability to make the change and in our physical plants. So, lots of change is going on.

Denise Stokes

DAVIS STEWART (NEW MARKET PARTNERS) At other times of change, we've looked to the past to help gauge what the future is going to look like, but for the first time in my career, I don't know if we can do that. More than ever, the consumer is in control of what he is going to do with his money because of the transparency that we have to have as bankers. The same drivers are still there—speed, convenience, and control—but the vehicles that customers use today are totally different: image ATMs, mobile apps, GPR cards, all those things. The consumer must see incremental value if he is going to pay for services.

MARK ERHARDT (FIFTH THIRD BANK) The consumer *is* in the driver's seat. The days of product pushing are over. Consumers won't buy something just because you present it to them. I see this particularly right now on the loan side where consumers think differently about putting their house on the line for a line of credit.

The question is, have consumers shifted permanently to a new mindset, or, once the economy improves, are we going back to the bank setting the terms of the relationship?

JIM KOON (TCF BANK) Part of the bankers' challenge is to help customers understand the value banks can provide to them. And to do it in ways most relevant to what they are trying to get done. In recent years, we've offered so many services and conveniences for free that we must re-prove our worth and create new ways to provide value. What we have to do is trust that if we can win the customer, we will find ways to bring more value to them and generate more revenues from that value.

MARTIE WOODS (DELUXE CORP.) Convenience was what so many banks chased for so long—and got so good at providing—that they are no longer in the minds of consumers. So, in many ways, convenience has been ruinous to this industry because we delivered so well on it. And now we can't get consumers' attention to do exactly what you're talking about, which is to help them accomplish important things with their money.

STOKES My kids have never had a relationship with a branch or a banker. All they've ever known is their cell phones, debit cards, and ATMs. That's what they think of as banking. I don't think they're coming back to the branch.

ANN-STANTON CANNARELLA (AMERIS BANK) That's true, but at some point they have to buy a house or own a car—things that are going to require them to talk to someone. It's at that point where we have to seize the opportunity. That's where retail banking is changing. Gone are the days of just having a pleasant interaction—let me cash your check and move on. We've got to have more of a conversation. But our tellers and our personal bankers have to know how to do it.

The other thing is, it's all about environment. We have branches that are extremely high retail—get in; get out. They're pleasant order takers. But there are also branches that are more like a boutique, where the clientele expects to come in and have a conversation. The leadership of those two types of branches needs to understand who they're trying to go after. Because if they don't, they're just throwing spaghetti at the wall and hoping it's all going to stick.

Jim Koon

KOON We will succeed if we can create an environment where we are the best place for the best bankers. If our associates believe we are going to stay in front of what the *customer's* needs are, we'll have an ethos that they believe in. And so in looking at any product change, we talk with our customers and we talk with our bankers. We want to know what the bankers think, because if they believe in it, the customer is going to see that they believe in it. Little is more important than having our bankers believe we're doing the best for their customers.

Robert, your bank goes back to the 1800s, so the question of whether history is still a guide to the future seems very relevant to your situation.

ROBERT HULSEY (AMERICAN NATIONAL BANK OF TEXAS) In the communities where we traditionally operated, we controlled anywhere from 50-75% of the market. We had very low cost of funds, very high fee income. For

We've offered so many services for free that we must re-prove our worth and create new ways to provide value

You have to train people to get the complete picture rather than just going for the close


Mark Erhardt

our lenders, it was also very easy—the phone rang—and they did a lot of construction loans. But a few years ago, to diversify, we moved into Fort Worth and Dallas. People there didn't know who we were. And there was no way American National Bank was going to be the low-cost provider in that environment. So, it was incumbent on us to really redo the bank, and to focus more on commercial and industrial lending.

We trained all of our people—and that includes people in Insurance, Treasury Management, and Retail—to do customer calls. We do that because we want to really understand that customer.

We have local meetings where all of those different entities come together, and we talk about prospects. People go out on joint calls together. It's part of what we call the buying cycle.

So, our focus has really changed. We had to remake our lenders; we had to remake our processes; we had to remake everything we were doing.

Martie, can you talk about the two broad customer categories that Deluxe identified in its research?

WOODS They are the "barrier eliminator" mindset and the "jobs-to-be-done" mindset. The term "jobs to be done" comes from Harvard Business School Professor Clayton Christensen, which we adapted for this work. The barrier eliminator is what you all know as your super-transactional customer. They want as few barriers or obstacles between them and their money as possible. The jobs-to-be-done people have a job they need to accomplish, and see their bank as a partner they are willing to "hire" to help them.

STEWART Do these customers migrate?

WOODS Absolutely. There are more people in that barrier-eliminator mindset, however, because their bank hasn't given them reason to think differently.

HULSEY We put ourselves there. We did some research and discovered that some business bankers were simply product-pushing, so the small-business owner stopped seeing the bank as a partner, and saw us only as the conclusion of a transaction—all we were was the money. Then, the only issue you're bidding on is price. The good news was that we found if we would shut up and listen, the business owners were very willing to tell us a lot about their story and build a rapport with us. That's why we developed a program around being able to get in that buying cycle in the earlier stages when we can add value.

ERHARDT When a person walks in the front door and sits down at the desk—or if it's a business call and you go to their place—you don't know if they're more transaction-focused or more relationship-focused until you start having that conversation. You have to train people to get the complete picture rather than just going for the close.

KOON Also important is what you do after you see how the relationship is working in the first 45 days or so.

WOODS We call that pattern analysis. When a customer opens an account, they may answer a question and answer it very confidently, but it may not match their actual behavior. There's a good chance they should have been in a different type account or with a different product or have different controls or limitations. If I opened an account and 30 days later got a call from my banker saying, "I think we should talk again," that would be very impressive to me.

STOKES We make the follow-up call, but we don't have great data on clients available to our front-line sales people.

ERHARDT It's hard, because you have to figure out how quickly can you get the feedback loop going, and then, how do you get that interpreted into terms that your line folks can address. Also, you can capture information during a sales session, and you've got information that sits in your operating system, but how do you marry the two?

STEWART When you walk in the front door of Target, they know, through GPS, who you are and can send you coupons for what you like to buy. Banks have all this transaction data—where I spend, where I charge, where I use my debit card, where I write checks. If I were CEO of a bank, I would put a large amount of my investment into understanding through data what drives my customers' behavior.

But do customers think of the bank differently than they think of Target?

WOODS We did some focus-group research on this. My favorite story is the woman who said "*No, no, no*." But then, when we said, "What if it's to support your DSW purchase of shoes?" she said, "I might be open to that." If it's personalized and adds value to their world, they shift pretty quickly.

STEWART In the research we've done, it's not necessarily that they don't want to be contacted; it's that they don't trust that you're not going to take money from them somehow.

KOON This came through in spades when we did some focus groups earlier

Frontline folks are super-apologetic about having to charge for anything ... We underestimate what people will pay for


Martie Woods

this year. When we were promoting new accounts with premium programs offering $100, there was a segment of customers that thought, "If they're giving me $100, they're going to be getting $150 from me someplace else." You have to find the mutual benefit.

WOODS One problem is that frontline folks are super apologetic about having to charge for anything. Part of that is because we created an environment in which you were "fee-ed" for bad behavior. Banks have to get to a point where, for some of the new services that they offer, there's a price tag associated with those. And they have to help the front line stop being apologetic for that. We underestimate what people will pay for. Think of HOV lanes on highways. People pay [for a pass] to go faster on the road during rush hour. The analogy to banking is that people purchase an "ease-of-access" package of some sort.

You cannot start charging for something you were giving away for free, however. It just does not work. But there are windows of opportunity. If you're going to roll out a product or some kind of simplification of use that didn't exist before, that's the type of thing you start to charge for.

CANNARELLA We've acquired several institutions and learned that when you're going from a limited product set to a more robust product set that we offer, businesses really appreciate it when the bank says, "We've assessed your activity up to this point, and we think you would be best suited for this service or account." It offers the opportunity to talk about other products that build the depth and profitability of the relationship.

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More content appears online at *ababj.com*, including the value of checking accounts; challenge and opportunity in compliance; and ways to build trust. To read the extra coverage, go to *http://tinyurl.com/transition-bj*

If we shut up and listen, business owners are willing to talk and build a rapport with us. That's when we can get in and add value"

Robert Hulsey