



# BankWorld

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# Learning to Think Like Your (Small Business) Customer

By Theodore A. Rosen

Community banking today is truly a good news-bad news story. The bad news is that there is a host of new competition, some of it coming from non-traditional service providers and some coming from companies that heretofore had nothing to do with banking products (BMW, UPS, State Farm and Costco to name a few). The good news is that for community banks that can plan well and execute crisply, the world can be their oyster, especially in the world of small business banking. As the big banks become increasingly uninterested in or incapable of understanding and meeting the needs of small business, the community banks can be the inheritors of this terrific market segment.



### It's All About Differentiation

Many bankers today are unaware of how they and their counterparts are perceived by the small business owner. The business owner considers both the bank and the banker when choosing a bank. With this in mind, bankers must be aware of how they, their institution and their industry in general are perceived by the business owner.

There is a misconception when it comes to making banking decisions. While branch locations can be a factor, pricing and terms are rarely the prime motivator for a small business owner to make a decision to switch banks. How do we know this? Our firm, located in suburban

Philadelphia, makes appointments for bankers to meet with qualified prospects in the business community. Each day our people talk with hundreds of business owners across the country to find those who are open to a new business banking relationship. The single most significant reason for business owners to be looking for a new banking relationship can be reduced to one simple concept - their current bank doesn't seem to want their busi-

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ness and doesn't meet their expectations for a quality banking relationship.

With this in mind, community bankers today need to do everything they can to differentiate themselves and their institutions so that they stand out among the crowd. Since differentiation in the area of products, pricing and terms is virtually impossible to sustain on a long-term basis, it all comes down to how the banker can demonstrate his or her abilities to understand and meet their customer's needs.

### Entrepreneurs vs. Bureaucrats

Most small businesses today were

started and are run by entrepreneurs. Understanding the basic nature of entrepreneurs is critical. While it's changing slowly, banking has traditionally been a bureaucratic profession. Understanding the similarities and differences is key to learning how to think like your small business customer.

Entrepreneurs in general share some very distinct characteristics:

- They are highly driven and goal-oriented;
- They are resourceful and creative;
- They are extremely passionate about their product or service;
- Their personal life and their business life are inextricably connected.

Overarching all of these characteristics is the fact that they are risk takers. Bankers, however, by their very nature are risk averse. So how does the risk-averse bureaucratic banker learn to think like the risk-tolerant entrepreneurial customer. That is a challenge but not an insurmountable one.

### A Tactical Guide

Learning to think like your customer, while perhaps not an intuitive skill for many bankers, should not be considered rocket science. Some key tactical elements include:

**Listen and Observe.** Many bankers, especially in a first encounter, cannot wait to launch into a monologue about how wonderful their institution is and how terrific their products and services are. The most important part of the meeting, however, is going to be the communication from the prospective customer to the banker about what their needs and desires are. By listening to the customer, asking probing ques-

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tions and observing the environment and activities, the banker can learn a tremendous amount about the business and its needs.

**Do Research.** One of the best ways to learn about a business is to understand the industry of which it is a part and what the critical issues are in that industry. One of the best and easiest ways to do so is through the local, state or national trade association for that industry. A quick visit to the Web site of the association will give the banker a clear and concise picture of the issues that are on the front burner for that industry and in all likelihood for that business. To stay connected on an ongoing basis, many trade associations offer affiliate memberships so that you can receive newsletters, legislative updates, have access to "members only" areas of the Web site and even better provide opportunities to write articles and speak for the association. This is a terrific way to leverage your time in courting a group of companies instead of just one.

**Do the Unexpected.** When you walk in your customer's door, there is probably a presumption that you are there to deliver new covenants, get new guarantees signed, reset rates or reevaluate collateral. Sometimes just a casual visit (preferably not in business attire), especially one made after hours when the entrepreneur is working but the business is closed, is a great way to get close to a customer. There might be an initial shock that you are not there for one of the aforementioned reasons, but after

the customer recovers, it is a great way to build rapport and learn what's on their mind in a less threatening environment.

### How Do You Measure Your Success?

You will be successful if you can answer the following three questions for each of your significant customer relationships:

- What is the strategic vision of the business owner for the business? (Where does he or she see it in the next two, five or 10 years);
- What is it going to take to get there;
- How can you and your institution help?

This last question is obviously the most important one. If you really understand the answers to questions one and two, then the third question should yield great opportunities for you. Obviously the first issue is that some of your bank's products and services may be needed for that business to achieve its strategic goals, and you should know which ones and how to introduce them. Perhaps your trust department, insurance, investments, employee benefits or some other ancillary service can be brought in to help that business owner realize the strategic vision. In addition there are other opportunities, including people in the bank who may be able to provide assistance (maybe someone in your finance department is able to provide some assistance in whether to convert from an S-Corp to an LLC) or even a better outcome whereby a need on one cus-

tomers part is referred to another customer to provide assistance. Now you have become a hero to two of your customers.

### If It Were Easy, Everyone Would Do It

True differentiation for you and the bank is a goal that every banker should embrace and one that will produce measurable results in customer retention, expansion and acquisition. While some of the ideas and concepts discussed herein might seem unusual and perhaps even radical, bear in mind that some of the radical ideas that have recently changed the marketplace include Federal Express, Travelocity, Lexus, and Palm Pilots. Learning to think like your customer is not an overnight process. Perseverance can provide a remarkable path to stronger current business relationships and new business relationships. Give it a try - the results should be immediate, measurable and very satisfying.

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