MANAGING THE NEW **TURMOIL** IN BANKING

by Dr. Bill Conerly

How to help consumers and employees through the current crisis.

A few years ago, a bank surveyed its customers about what they wanted in their monthly bank statements. They were asked to rank different features, and the results helped develop a new layout. One of the interesting results of the survey was that customers ranked accuracy of bank statements as a fairly low priority — much lower than clarity and timeliness.

Two years later, a systems conversion caused thousands of the bank's customers to get inaccurate statements. And did they ever holler. It turns out that the bank's customers had taken accuracy for granted. They didn't feel the need to rank accuracy as very important because they just assumed accuracy would always be there.

REASSURE THE DEPOSITORS

In today's financial turmoil, with multiple bank failures, bailouts and changing government programs, consumers are confused. Things that they used to take for granted are now suspect. Which also means that the things bankers used to take for granted about their customers may be wrong now, at least for a while.

The safety of the bank itself is something that bank customers have taken for granted. But after 25 bank failures last year and others already recorded in 2009, customers are now worried. The bank's response must reflect the customer's worry.

Traditionally, banks have sent calling officers out to reassure their best customers that the bank is sound. However, "best customer" has traditionally meant a large business borrower. These are the customers who do not need reassurance today. With continual news reports about a credit crunch, the borrowers are not going to leave a bank that still is willing to lend. The customers who need reassurance about the bank are its depositors.

In today's bank environment, deposits are tremendously valuable. Liquidity is important to bank regulators, and thus to bankers themselves. Depositors, however, are the customers least likely to be visited by a calling officer. Instead, *Customers and members no longer assume anything about your financial institution. Nor do your employees.*

depositors typically interact with the bank's lowest-paid, least-trained personnel: tellers.

CLARIFY POTENTIAL CONFUSION

A management consultant tells a story about a flight attendant apologizing for his airline's lack of food service, explaining that it's due to corporate greed. The airline had failed to explain to its staff how much money they were losing, and how little their customers were willing to pay to fly on an airline with meal service. Are banks and credit unions making the same mistake? Financial institutions need to make sure that the people who talk to depositors are fully briefed on the institution's soundness.

Customers and members are also not sure about deposit insurance. For example, when regulators recently took over a large national bank, news reports quoted many of the bank's customers who were afraid about the consequences, including customers well under the FDIC insurance limit. Many consumers are unsure of their risk.

Financial institutions have long assumed that customers either knew the FDIC insurance limits or were not worried. Now we have new rules, which are hard for some bankers to adjust to. This is the time when customers with questions need to hear confident, definitive answers. But this is also the time when bank personnel are most likely to say, "Gee, they just changed the rules and I'm not positive, but I think the limit is $250,000, but — oh, is this is a business account? That might be different."

Experienced salespeople know that they have to project confidence and certainty. Front-line bank and credit union personnel may need training to be able to explain new deposit insurance rules with confidence and certainty. Banking customers desperately need it right now.

COMMUNICATE CLEARLY AND OFTEN

Just as consumers have been thrown a curveball by the financial crisis, so have professionals working at all levels of banks and credit unions. Is my job secure if we are forced to merge? How will I pay my mortgage if my position is eliminated? These are the real questions employees will be thinking about whenever managers mention the banking industry turmoil. While a manager is trying to impart information, most employees will be tuned in to their own doubts and uncertainties.

The best approach to this stress is to communicate clearly — and often — about all aspects of your business for which there is potential for misconception.

For example, bank and credit union financial statements are public information, but few staff members truly understand them. So now might be a perfect time to explain to all employees the nature of the country's banking problems, and how your particular bank or credit union stacks up. The truth is, most of the nation's banks — 98 percent — are actually still well capitalized, but you wouldn't draw this conclusion from the newspaper headlines. Financial services employees probably haven't drawn this conclusion either. But they need to know the real numbers at hand, so that they can confidently and effectively communicate their financial institution's availability to serve its consumers.

Everyone knows that the banking industry has changed dramatically. The banks that will thrive in 2009 are those that best understand the new world of banking, and that act decisively to share that understanding with both consumers and employees.

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