

THE SCHNEIDER REPORT

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The financial services industry has gone through a couple years of unimaginable turmoil. We've lived through the housing bubble and mortgage meltdown. Once-powerful institutions have been bailed out or merged out of existence. High unemployment rates have impacted foreclosures, credit card and loan losses, savings rates and, still today, hold back our recovery. Sharply rising insurance premiums were necessary to insure underwater institutions do no more damage. And now we face the regulatory aftermath of these issues and the costs and uncertainty that come with financial "reform".

But enough of that. This newsletter is about the joy of opportunity, not the gloom of loss. If you are reading this you are on our list of community bankers and credit union executives who have survived this turmoil. You have hunkered down enough and made the necessary tough decisions or changes required to get to this point. Perhaps you have been able to capitalize on the flight to safety and see significant deposit growth. And perhaps you have been able to grow market share through taking away business from big national banks. Our assessment of the competitive environment tells us that this idea of taking market share from big national banks should be an important strategy for our readers.

There seems to be three major reasons why big banks are vulnerable and at risk to lose market share. One is poor customer service. The second reason is loss of trustworthiness. This is driven by how a handful of the nation's largest banks have behaved in the financial crisis. The public, and many bank customers, feel that big banks have profited at the expense of their customers and the country as a whole. The third is high, or escalating, or surprise fees. The good news is that smaller, more nimble competitors can do something about these big bank weaknesses.

Making service excellence a competitive advantage is doable through making it part of the institution's culture, part of the fabric about how everyday business is conducted. It needs to be declared as a competitive strategy and needs to be communicated from the top. Then, job training, coaching and incentives have to follow. It is hard work to implement and maintain, but it is done by many well-run institutions and can be well done by those who are willing to do the necessary heavy lifting of creating the mission of high-touch service, building the staff and infrastructure to support the mission and managing to it.

Trustworthiness is all about character, but rather than individual character, the collective character of an institution. The parallels to a service culture are strong. It starts by caring about the financial health of your customers and placing their needs first. Like service excellence, trustworthiness is built one step at a time over a long relationship, but can be immediately lost with one failure. The importance of institutional reputation and trustworthy behavior must be communicated, reinforced and strengthened by management at every opportunity.

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Regarding fees, today's market and regulatory environment are creating opportunities for smaller institutions to outcompete their larger competitors. With overdraft protection fees at risk, with credit card interchange fees in flux, market watchers expect important changes in how checking accounts are priced and how fee structures change. It is likely that big banks are willing to lose customers over fees. Selective targeting of the more desired category of these customers could be a strategy for growth.

A recent Wall Street Journal Article (June 17th front page) announced "End Seen to Free Checking." "Bank of America Corp. and other banks are preparing new fees on basic banking services as they try to replace revenue lost to regulatory rules" moving away from the no fee or "free" checking account. "Other institutions plan to follow suit." The article goes on to quote a Bank of America executive, "Customers will have a choice, bringing more relationships to us or paying a maintenance fee."

Well, there is an obvious third choice... that many will make leave and take their business somewhere else. Are you prepared to take advantage of the changing marketplace? Do you have a plan and a sales force that can leverage this opportunity and flight to security and trustworthiness? How will you differentiate yourselves in the marketplace given the competitive changes? What is your game plan for on-boarding new customers or members during the critical first months of a new relationship? Those with a preferred, methodical approach to "selling", with the consumer's best interest in mind, will be best positioned to take advantage of these regulatory and competitive changes.

News from Schneider Sales Management

Ben Kinning has recently joined us as Director of Sales. Ben has extensive financial services background in business banking and retail branch management with a large national bank. He received great exposure to sales and sales training in the role of Business Sales Development Consultant for both the Las Vegas and Denver markets. He also served as the Manager of the non-profit Colorado Business Resource Center where he was a Small Business Consultant. Ben graduated from the University of Northern Colorado with degrees in Business Management and Communications.

Ben is passionate about sales and service and helping financial institutions grow profitably. We are very excited to have him join the Schneider Sales Management team.



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We have Updated our Website

We recently updated our website, making it easier to navigate and providing more information about us. We have expanded our training course descriptions and revised some titles to reflect the depth and specific content of each training course. And we added a section called “The Schneider Report”, where you can get all of our previous Schneider Reports with just a click.

Check it out at www.schneidersales.com.

Selection and Hiring Tips

We are seeing evidence of increased hiring among many financial institutions – more job postings, job fairs, recruiting events and management training programs – things we haven’t seen for awhile in the current climate. If you are one of these institutions, now is a good time to review your hiring and selection practices. There are a lot of people looking to be hired and it is more difficult to sort out the best qualified candidates for a variety of reasons. While there are many very qualified candidates looking for work, there are also those who lie during interviews and stretch the truth on resumes. So what are best practices in hiring and selection:

- Conduct behavioral interviews. Behavioral interviewing emphasizes past performance and behaviors and focuses on how candidates would handle specific situations. You are not likely to select the best candidate with questions like, “Tell me about yourself, What are your strengths and weaknesses, or Why are you interested in working for us?”
- Develop and utilize hiring scorecards. Ensure that you make objective, quantitative hiring decisions by using a scorecard that focuses the interview on the most important aspects of the job and that takes the emotion and subjectivity out of the candidate evaluation process.
- Utilize pre-hire selection testing. Test for sales and service behavior competencies by using a pre-hire assessment like Schneider’s Optimum Performance Profile or Service Readiness Assessment.



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- Use multi-level and multi-dimension interviews. Conduct initial candidate interviews over the phone, then conduct initial face-to-face interviews with a HR professional and then conduct a panel style interview. The panel should include the hiring manager, next-higher manager and one of the candidate's potential peers. Potential peers will be stuck picking up the extra workload if you make a bad hire, so their perspective on a candidate can be invaluable.
- Use simulations or role-plays that help evaluate specific job-related abilities and skills. If you are hiring a branch manager, have the candidates conduct a mock sales meeting. If you are hiring a MSR or personal banker, have them conduct a new account sales role-play.

The bottom line is that top producers will outperform average producers by 2-to-1 and will outperform low producers by 10-to-1. One low performer can devastate an entire sales or service team.

Looking Forward

Many of our clients and industry leaders that we talk to are beginning to think about priorities for 2011. It is not too early. With the competitive pressures faced today it is imperative to have the right strategy in place, supported by an action plan that is understood and embraced by all employees. Let us know if a strengthened sales and service culture is one of those emerging strategies for you and your institution. We can help you create a plan for this and provide a project roadmap that meets your business objectives and keeps everything on track.

Also, give us some feedback on what your key 2011 initiatives are shaping up to be. Email us back with your thoughts at info@schneidersales.com and we'll be happy to include some topics in our future Schneider Reports.

Thanks for your time. Email us or give us a call if we can be of help to you.

Regards,
Tom Bresnan
CEO and President
Schneider Sales Management, LLC
303-221-4511
tbresnan@schneidersales.com

About the Author

Tom Bresnan is CEO and President of Schneider Sales Management, LLC. He has extensive background in general management, training and sales management.



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