

B of A Should Take a Page from Vernon Hill

By John Tschohl

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Several large banks are starting to charge customers a fee each month they use a debit card for purchases. The worst offender is Bank of America, which is implementing a \$5 monthly fee.

This is, of course, in response to the new rules that just took effect limiting the revenue banks are able to collect from merchants. In the past, banks could collect \$.44 per transaction, but the new rule allows a maximum of \$.21 per transaction.

Banks still make more than their fair share of money every time a merchant swipes a debit card, even at \$.21. Think how many times a debit card transaction takes place during the course of one day. This leads to millions of dollars in revenue for the banks. But banks are trying to make up for the loss in revenue by devising this new monthly fee and passing it on to its customers. This is exactly the reason why banks aren't surviving: They don't realize that first and foremost they are in the service business.

What happened to service in the banking industry? Vernon Hill, founder and former chairman, president, and chief executive officer of Commerce Bank, would have never gone along with this. He built a style of banking based on service first to attract customers. It's too bad other banks didn't follow the same example.

What's even more amazing is this attitude of "sticking it" to the customers is showing up more than ever. Netflix, for example, just took a beating from customers and shareholders after raising subscription rates by 60%. The company lost \$9.8 billion dollars in market value in two months due to the same arrogance and lack of customer focus. Their stock went from \$304.79 to \$116.48, a 62% reduction in value. One would think that Bank of America and others would learn a lesson that upsetting customers is a bad idea, especially these days.

Even more to the point of putting customers first is because bad publicity can spread like wildfire in this digital age. One story of bad service can go viral in no time bringing down a business overnight. Just take a look at what people are saying about Bank of America on Facebook and Twitter today.

Instead of focusing on fees, banks need to focus more on the customer experience. Things like being open seven days a week, staying open an extra hour each day or opening one hour earlier in the morning are what will build loyalty and retain customers.

Going back to Vernon Hill, he's now the co-founder of Metro Bank in the United Kingdom. Metro Bank interest rates at a time were higher than its competitors, but Hill was still able to retain most of his customers because of the Metro Bank's reputation for a high level of service. Bank satisfaction numbers in Britain were terrible, and now we're seeing the emergence of more institutions trying to copy the Metro Bank model.

For the sake of Bank of America and other banks, hopefully they'll reconsider charging these fees. If they're not going to waive the fee, employees should be empowered to do something to offset the increased cost.

Banks need to realize the cost of a lost customer is probably 10 times greater than the amount they're going to receive from charging a debit card fee.

Bank of America and others will spend millions of dollars in marketing this year, but they're completely overlooking the customers they already have. How many customers will have to close their accounts before the banks reconsider? We'll see what happens!

John Tschohl is president of Service Quality Institute.