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Regional Banking

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Louisiana Bank Offers Best Customers What Amounts to Branch of Their Own

By Carey Gillam

A bank in New Orleans is testing a new retail concept that literally-and physically-separates profitable customers from others. First Commerce Corp. officials said the approach rewards its best customers with shorter lines, more highly trained personnel, and special services in one part of a branch, while giving the unprofitable something to strive for.

It's all aboveboard: A glass wall separates the two sides, and signs welcome the "smart money" elite to their designated area. "Our idea is to upgrade the people who pay the freight," said Ashton J. Ryan Jr., president and chief executive officer of First Commerce's lead bank, First National Bank of Commerce in New Orleans.

Its first redesigned branch opened early last year, and the second opened this May. A handful of other financial centers have been reconfigured with similar but smaller "smart money" zones. Bank officials are saying they expect to take the concept to other markets. The redesigned branches are part of a larger program to retain the group that First Commerce considers its best customers. But measuring the success of the strategy is difficult. Bank officials say that gearing their sales and service efforts to creating and maintaining profitable customers does pay off.

"Smart money" customers' deposits grew 11% from April through December of last year, while loans to the group increased 24%, said Mr. Ryan. First Commerce's branch redesign is but one of many tactics by banking companies growing out of their increasingly sophisticated analyses of customer data bases.

"There are a number of innovative projects at banks that are using this information," said Kim Sutherland, director of Market Line Associates, an Atlanta-based consulting firm specializing in profitability development and analysis. Ms. Sutherland said most banking companies are relying on organizational or product-related profitability information.

But about 20% of the industry is making use of highly detailed customer profitability data, which measure each relationship's contribution to the bottom line and its long-term value to the organization. Direct mail campaigns are a common use of customer profitability information, said Ms. Sutherland.

Some banks use the data to adjust pricing and fees to the creditworthiness and other characteristics of a given customer or prospect. Others use such information to speed service to their best customers, either by routing telebanking calls to higher-level representatives or making preferential teller lines available. First Commerce said the differential customer routes in its branches are clearly marked with signs and marketing materials that invite certain people away from the main part of a branch and into a designated area.

"Our clients like the special area. They don't have to get into the mainstream of the rest of the branch," said J. Michael Brown, executive vice president of retail banking at the lead bank. "They like being recognized for the value they bring to the bank." Mr. Brown said when non-"smart money" customers stray into the "smart money" side of the branch, the company sees it as a marketing opportunity. "We will talk to them about the benefits of becoming a 'smart money' client," he said.

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