



How To Please The Digital-First Customer

by [Steve Brown](#) Topics: [banking](#), [millennials](#), [technology](#)

Summary: What do you need to know about digital-first customers? We shed some light on this topic with insights from a recent survey.

A survey of small business owners by Infusionsoft finds the biggest marketing challenges these customers say they face this year are: not using digital marketing (29%), finding time and resources for marketing (22%), converting leads into customers (15%), retaining and re-engaging customers (12%) and generating web traffic (9%). Many community banks have programs to help with some of these challenges, so it could be a good time to reach out to biz customers and let them know.

Speaking of small business customers, today we focus on those known as digital-first customers. [Novantas Research's 2018 Omni-Channel Shopper Survey](#) reveals several factors that traditional brick-and-mortar banks need to navigate in order to stay competitive over the next decade. While the study focuses on consumers, the takeaways are very applicable to small business customers too.

The challenge for banks is underscored by the high degree to which these customers expressed their willingness to bank with a non-bank tech company. We have heard this before, but the number is increasing. Indeed, 58% of customers said they were very likely or somewhat likely to consider banking with a non-bank technology company. Notably, that's up 14% from the prior year.

To adjust to this trend, banks must identify unique opportunities for differentiation and capitalize on them immediately, the study notes. It refers to those who have started a new primary checking relationship in the past 3Ys as "recent purchasers." Interestingly, nearly 33% of recent purchasers who started a primary checking relationship with a direct (online) bank had a savings account relationship with that same bank prior to opening the primary checking account. It is good to know who your customers are doing business with already so you can customize offerings.

Business customers often conduct their business and personal banking in the same place, so this is somewhat alarming. If business customers are willing to open personal savings accounts with an online bank, then business accounts could follow down the road - provided the right conditions are met, of course.

Two of the leading reasons customers said they would consider switching to a direct bank in the future are "good interest rates," and "simple or low fees," according to Novantas. Business customers tend to be less fickle than consumers, but rates and fees can encourage these customers to seek greener pastures too. This may be especially true for new businesses headed by millennials who haven't yet developed a strong bank connection.

Certainly, connections are critical when it comes to enticing and retaining business customers. But these customers also want convenience and they are increasingly interested in first-rate digital banking functions. It's telling that 55% of prospective switchers would prefer to open their next checking account digitally, according to the study. Many customers now prefer to open an account on a smartphone, which is worth noting as you're thinking about ways to woo business customers.

While older business customers are still largely wedded to more traditional banking ways, younger customers are much more familiar with digital capabilities. As this group grows in number and wealth, you will surely want to address their needs head on.

ECONOMY & RATES

Rates As Of: 03/01/2019 11:20AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.43	-0.01	0.07
6M	2.50	0.01	0.03
1Y	2.54	0.01	-0.05
2Y	2.56	0.04	0.07
5Y	2.55	0.04	0.04
10Y	2.75	0.04	0.07
30Y	3.12	0.04	0.11
FF Market	FF Target	Fed Disc	
2.40	2.50	3.00	
SOFR	Prime	Unemp	
2.58	5.50	4.00	

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BANK NEWS

Open Banking

[Goldman Sachs and HSBC](#) join other global banks by investing \$20mm in a British startup known as Bud. The company reportedly makes digital integration easier, with tech giants like Amazon, through open banking.

Big Bank Switch

Among the ten foremost banks studied by cg42, an average of 21% of their customers are at risk of switching to other banks within the next 12 months. Bank of America was at the largest risk, which has been the case two out of the last three surveys by the consulting firm. Next came Wells Fargo, then PNC, BB&T, US Bank, SunTrust, Citibank, TD Bank, Capital One, and then Chase.

Hidden Debt

[Creditcards.com reports](#) almost 20% of Americans living with a partner have a secret bank account or credit card, with millennials twice as likely as older cohorts. Although the survey didn't say why, you may want to keep this in mind when helping your bank customers with debt management.

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