

## Research Can Transform Your Business Plan

Insights from Tom Hershberger, CEO, Cross Financial, 2020

At many community banks, business planning is the outcome of an annual meeting to discuss the bank's year-to-date performance, budget parameters for the coming year and immediate organizational needs. While the process does provide short-term structure for financial decisions, it is reactive and lacks a strategic foundation. Planning at its core is strategic. A proactive investigation of opportunities, not a reactive posture based on the bank's recent performance. The simplest way to identify opportunities is to conduct relevant research.

Research is, in most organizations, an overlooked resource when plans are being developed. The reason might be cost, but more likely, it is the fact that research benefits are misunderstood by management. For many bank managers, research is the unwelcome telephone survey they receive during an evening meal. That is not the beginning or the end of effective research.

### Structure Your Discovery

Well-designed research begins with the analysis of available data and migrates to intentional inquiries with targeted audiences. Think of it as a discovery process. What do you need to know about your customers or trade area? The answer might lie in an examination of current customer purchase behaviors and product possession. Examining your existing relationship data might be exactly what you need to effectively identify the best market segments for a new product. There is no need to conduct market surveys if data management provides the information you need.

### Begin With Objectives

Research is only required when additional information will improve the quality of a decision. Some research is conducted to determine what to do, while other projects are directed at how to do it. The results should be focused on objectives set before the research begins. If a decision has been made to introduce a new product, then utilize your research to gauge customer reactions to the service. The research results can improve the focus of your product introduction. If a new trade area is on your list, utilize your research to examine the competitive environment and financial solutions not being delivered effectively by other institutions.

### Provide A Foundation For Management

Let's use Cross Bank as our example. The Cross Bank management team is investigating the placement of a new branch in an adjacent community. If they have already purchased the property and started developing the branch floor plan, then the research opportunities are driven by questions about relationship acquisition in the immediate trade area. However, if the bank's management team is genuinely interested in whether to even enter the market with a new branch, research can provide an excellent foundation for their decision.

Cross Bank could employ several different research resources to evaluate the community and potential branch locations.

**Relationship Information Management** – An internal examination of Cross Bank's customers can identify if the bank already possesses relationships in the proposed trade area. If customers are present, their product utilization is an excellent predictor of relationships that could be acquired. A bank's future customer is typically a clone of existing customers in the same trade area.

*Research, continued*

**Image and Positioning Research** - Using telephone surveys for data collection, image and positioning research can help examine the top-of-mind awareness for Cross Bank and competitors in the trade area. The investigation can be expanded to evaluate reputation factors and investigate consumer propensities to change financial institutions.

**Focus Groups** - Conducting focus groups with consumers or businesses in the new community could provide important insights about competitors with established market share. Competitor strengths and weaknesses or consumer preferences are all easy to investigate in a focus group environment. By profiling your focus group participants, you can capture the insights applicable to your desired market segments.

### **Improve Your Decisions**

All research methodologies have a 'best practice' application. Mail surveys perform well with existing customers and fail to produce responses with non-customers. Online surveys are inexpensive to execute, but include a passive design for data collection. They produce excellent results with employee and customer surveys. They do not work as well for non-customers. Clarifying your research objectives is the only way to insure you are selecting the most effective research methodology.

If you want to know what your customers are thinking, who better to ask than your customers? Research, properly designed, can provide actionable information superior to the general observations typically shared during planning meetings. The kind of information that removes the guesswork you get when creating a business plan based on last year's results plus ten percent. Adopt a strategy that places research in your bank's budget every year.

### **Create Accountability**

Not every performance measurement needs to come from the balance sheet or income statement. Research provides an additional layer of information to examine success and create accountabilities. Consider utilizing a customer satisfaction survey to determine if corporate communications and staff training are having a favorable impact on customer experiences. Utilize mystery shopping evaluations to collect customer assessments of the service they receive. You can even create accountabilities for your managers by using an employee survey to create an index to track employee engagement. The options are numerous and more affordable than you might think.

I know is superior to I think. Use your research to determine what you know, before you make your final business plan decisions.

**Actively plan for desired outcomes. Effective business planning will produce results and support long-term success.**

