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After a Deal, Training Can Be a Bigger Deal

■ **By Chris Costanzo**

Most customers don't get a warm, fuzzy feeling when they hear that the bank where they have entrusted their life savings - or even just their checking accounts -- is being bought or merging. Many may become nervous because something has happened that they cannot control, and that something involves their money.

The first thing some of these customers will do is visit their local branch to ask questions. Experts say it is crucial that front-line staff members handle these encounters calmly.

"Customers will be very heightened to anything less than stellar service," said Linda Eagle, the president of Edcomm Group, an education and communication consulting firm in New York. "They're almost waiting for you to make a mistake."

Industry insiders say thorough training of front-line people is vital to make customers feel at ease during and after a merger.

"Branch personnel have to realize they're more powerful than ever - therefore their training is more important," Ms. Eagle said. "Every action means something."

Umpqua Holdings Corp. understands well the big messages that small actions send. Close attention to detail has helped the \$3 billion-asset Roseburg, Ore., company become the market-share leader in Douglas County, where it is headquartered. Having bought \$1.5 billion-asset **Humboldt Bancorp** of Roseville, Calif., last month, Umpqua now faces the challenge of selling Humboldt people on their new parent company's ideas about what a branch should be.

Umpqua was not always a top retail bank in Douglas; in the mid-1990s it was



Umpqua opened a \$3.8 million employee training facility last month to further CEO Ray Davis' goal to put the bank on par with top retailers.

third in market share there. Around that time the board hired as chief executive officer Ray Davis, who sought to put Umpqua on par with such standout retailers as the Ritz-Carlton hotel chain and Nordstrom's department stores.

"That cultural shift is really the foundation of the bank," said Lani Hayward, a senior vice president and the director of marketing at Umpqua.

The first test came in 1996 in Roseburg, where Umpqua opened its first "bank store." The city of 20,000 did not yet have a Starbucks coffee shop, so the Umpqua branch - with its atmospheric lighting, polished wood floors, concierge counter, computer cafe, and exclusive blend of coffee - was a novelty. Customers kept walking in and out to check the sign to make sure they were in a bank branch, Ms. Hayward said.

In addition to Umpqua training programs, all branch staff members had gone through Ritz-Carlton training, a program that emphasizes attention to the smallest of details. (The hospitality industry is where

Umpqua got the idea to hand the customer a piece of chocolate on a tray after every transaction.)

Within a year and a half of opening the bank store, Umpqua went from third to first in market share in Douglas County, Ms. Hayward said. "We were taking from our competitors in a flat economy."

The second such branch opened a year ago in Portland, Ore. It kept the wide-screen TVs, fresh-brewed coffee, and computer cafe that the Roseburg branch featured and added other things. For example, the branch uses back-lit shelving systems for product displays, which are changed quarterly. It also offers business books to customers who open certain business accounts, and tree seedlings to those who open a community interest account (in which the interest goes to a nonprofit organization of the customer's choice).

The Portland branch sponsors after-hours community events at least once a week. These have included poetry readings, movie nights, financial seminars, and yoga classes. Recently, after a heavy snowstorm that closed most other retail establishments in the area, the Portland branch stayed open so that the neighbors could hang out, Ms. Hayward said.

These touches have paid off. The goal was to generate \$15 million of deposits at the new branch between its April 2003 opening and yearend, and the branch finished the year with \$35 million of deposits, Ms. Hayward said.

Umpqua is already working to extend its philosophy on retail banking to the 27 branches it acquired from Humboldt in northern California, an area that has no familiarity with the Umpqua brand.

Training will begin as soon as it is

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appropriate to do so, Ms. Hayward, said - possibly before the acquisition is officially complete. Last month Umpqua opened a \$3.8 million training facility in Roseburg to house its education programs. It trains people to be universal associates, meaning they can talk with customers about any Umpqua product.

"The idea of universal associates always scares new employees," Ms. Hayward said. For many of them it entails learning new skills. Umpqua takes time to explain the benefits of being a universal associate - for example, they will rotate employees through positions where they could earn extra money by sales commissions. Umpqua says it takes about a year for a new employee to become a proficient universal associate.

One of the first things an acquiring bank should do is have senior bank leadership talk with the rank and file. "Their visibility is very important," Edcomm's Ms. Eagle said.

With five acquisitions under its belt (including Humboldt), Umpqua has its communications strategy down. "Right away we bombard them" with information, Ms. Hayward said. Associates should hear about the acquisition directly from the bank rather than the news media or, worse, a customer.

On the day the Humboldt announcement was made, the heads of the two banks began visiting the branches being acquired to hold face-to-face meetings with associates, advisory boards, the media, and community leaders, Ms. Hayward said. "It's like a political campaign."

Gwynne Whitley, the director of corpo-

rate customer service excellence at **Wachovia Corp.**, described participating in similar "road shows," as she called them, for the merger of Wachovia and **First Union Corp.** She met with state CEOs and regional presidents to enlist their support for training initiatives.

"Employees need time to learn new processes, and they need to know that management cares," Ms. Whitley said.

Training on new policies and procedures is fairly straightforward, but getting employees accustomed to a new corporate culture is tricky. Wachovia began this task by defining its service philosophy.

The Charlotte company coached employees to follow seven principles that begin with "I will." For example, they promise to greet customers warmly and devote their attention to them. Getting people to adhere to the pledges is like teaching a golf swing, Ms. Whitley said - "you've got to do it and get immediate feedback." That is why Wachovia managers actually observe and critique employees' greeting of customers.

Wachovia surveys customers on the branch experience. Its score for the third week of March was 6.59 out of 7, versus 5.59 in 1999, Ms. Whitley said. For that same week, 48% of customers gave the bank the survey's highest loyalty grade - a big improvement from 39.5% for the third quarter of 2002, when Wachovia first started taking the measurement, Ms. Whitley said.

Trustmark National Bank of Jackson, Miss., which last month completed the

acquisition of five **Allied Houston Bank** branches, tends to stress technical training first, setting the bulk of cultural and sales training aside until associates are completely comfortable with the new procedures, said Greg LaFosse, a vice president and the corporate training director.

Trustmark is also big on post-acquisition training, and it steers away from computer-based training.

"It's easier to get away from the branch and let them concentrate," Mr. LaFosse said. In past acquisitions, employees "really struggled with being able to make time for CBT, given everything going on with the merger."

Trustmark leaders travel immediately to the acquired institution to talk about the big picture and nitty-gritty details such as back-room procedures.

"We've learned through trial and error that it's really better to give out more information so employees seem knowledgeable," Mr. LaFosse said. "Customers notice that."

Trustmark sends experienced teller and platform associates to acquired branches, so help is always nearby. For the acquired Allied Houston branches it is flying in at least two associates to stay at each of the five branches for two weeks. New employees who are still confused about procedures can get help quickly so that they don't flounder in front of customers.

This sort of effort is expensive, but "in a merger the goal is to keep as many customers as possible," Mr. LaFosse said. "That first impression is important." ■