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Research Can Transform Your Business Plan

Business planning at many community banks is the outcome of an annual meeting where the bank's year-to-date performance, budget parameters for the coming year, and near-term organizational needs are discussed. The process provides short-term structure for financial decisions; unfortunately, an 'annual update' can lack a strategic foundation.

Planning Is Strategic

Planning at its core is strategic. Rather than reacting to the bank's recent performance, it can be helpful to take a longer view and proactively investigate opportunities. The simplest way to identify those opportunities is to conduct relevant research and data assessments.

Research is frequently an overlooked resource when plans are being developed. The likely reason is that the benefits of research are often misunderstood by management. Also, personal experiences with unwelcome online, text, or telephone surveys can influence perceptions of research and the related outcomes. With proper planning and development, effective research can be implemented.

Structure Your Discovery

Well-designed research begins with the analysis of available data and moves to intentional inquiries directed at 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 examining current customer purchase behavior and product possession.

Reviewing your existing relationship data could help you 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 Clear 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 focus on how to do it. The results should be focused on the 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 help you focus your product introduction. If a new trade area is on your list, use your research to examine the competitive environment and financial solutions that other institutions aren't delivering effectively.

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.

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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 usage is an excellent predictor of the relationships they could acquire. A bank's future customer is typically a clone of existing customers in the same trade area.

Image and Positioning Research – Using 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 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, as well as consumer preferences, are all easy to investigate in a focus group environment. By profiling your focus group participants, you can capture insights relevant to your target market segments.

Market Conditions – Evaluating the demographic and economic trends of a trade area can enhance your market assessment. Using U.S. Census data and other commercial and non-profit information, you have an opportunity to create a comprehensive profile of a trade area's households, businesses, financial stability, government resources, and local support services.

Improve Your Decisions

All research methodologies have a 'best practice' application. Mail surveys have traditionally performed well with existing customers but have failed to elicit responses from non-customers. Online surveys are inexpensive to administer, but lower response rates require adjustments to distribution to achieve the desired response rate. Online surveys produce the best results with employee and customer surveys. Clarifying your research objectives is the only way to ensure you are selecting the most effective research methodology. This includes evaluating the digital and emerging technologies that could be leveraged with research projects.

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 allocates research funding to your bank's budget every year.

Create Accountability

Not every performance measurement needs to come from the balance sheet or income statement. Research adds another layer of information for examining success and setting accountabilities. Use a customer satisfaction survey to assess whether corporate communications and staff training are positively impacting customer experiences. Utilize mystery shopping evaluations to collect customer assessments of the service they receive. You can even assign accountabilities to your managers by using an employee survey to build an index for tracking employee engagement. You have many options, and they're 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.

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