

Community Investments Vol 15, Issue 3 In the Search for New Customers, Start Here

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One group of potential new bank customers is growing at the rate of about 1 million a year. They're not new babies or recent college grads. They're America's immigrants, and nearly 3,000 arrive here every day to join America's 33 million other immigrants who are making America their home.

They're not just the customers of the future. For banks that act strategically - and quickly - these are today's customers. In fact, to ignore America's burgeoning immigrant population is to miss a market opportunity that includes many men, women, children, families, small business operators,

skilled artisans, laborers, professionals and many more who value home ownership and need banking services to help make their dreams come true.

Combined with America's already considerable minority population, these new Americans represent a still largely untapped source of future customers. Consider these facts, for example:

- Immigrants are three times as likely as all U.S. adults to rank buying a home as their number one priority
- Less than half (49 percent) of America's foreign-born population actually own a home (compared to 74 percent of native non-minority Americans)
- At 39 million, Hispanics are now America's largest minority population
- One large U.S. bank estimates that 80 percent of its new customer growth in 10 years will come from the Hispanic population

How can bankers tap this growing market? How can they attract new immigrant and minority customers? And how can they convert them into lifelong customers?

To help bankers answer these questions, ABA has been working with the Georgetown University Institute for the Study of International Migration and the Development Training Institute. Through a series of nationwide workshops and using specially developed resources, we are helping bankers develop a comprehensive approach to this growing market.

To be truly successful in this marketplace, a bank must rethink its traditional approach to marketing. In fact, successful immigrant and minority outreach techniques go beyond mere marketing. While it's not necessary to create a new department in the bank, or hire many new people, it is essential that everyone from the CEO to customer service representatives commit to the

effort. You want skilled people who understand the marketplace. You also want dedicated people who are going to make it happen.

A Six-Step Process

A good strategy for attracting and retaining immigrant and minority customers is to follow the six-step plan worked out by ABA and its immigrant marketing partners. These basic steps can work whether you hope to attract new immigrants or want to work with existing minority groups in the community.

1. **Understand the Market.** Language, culture, regional differences, race, religion and many other unique characteristics help differentiate immigrant and minorities. Native Americans are not Pacific Islanders. Asian Americans come from many nations. Hispanics include people of many different characteristics, and from many countries. Also, assess the size of the community you hope to reach. In other words, know the marketplace you're dealing with. Understand its differences and similarities. Identify those people in the community who you can reasonably hope to serve. Be realistic about what the bank can and cannot do with regard to staffing, additional resources and regulatory compliance. Start small, if necessary.
2. **Build Infrastructure.** The most important decisions you will make involve recruiting and hiring the right people. Your marketing and outreach team should reflect the ethnic makeup of the new customers you hope to reach. Choose people who fit into your organization's corporate culture and, where possible, find individuals who are multilingual, who understand the cultural nuances of the marketplace and who will be credible and trustworthy in the eyes of your new customers.
3. **Reach Out.** These new customers may not be familiar with the way banks work, or know what it takes to open a checking account or get a loan. Build trust and establish credibility with your new customers by

helping them understand the financial basics. A good outreach program incorporates education and information about the basics of personal finance.

4. **Determine Creditworthiness.** Standard underwriting criteria may not work for consumers who are often paid in cash, don't use credit, work several jobs and don't have a checking account. Look for alternative ways to deliver banking services to these customers.
5. **Tailor Effective Products.** Consider programs that incorporate lower down payments or higher qualifying ratios. Don't assume that your immigrant and minority customers possess traditional credit histories. Look at government programs like those provided by HUD, the government sponsored enterprises and others to help overcome these initial barriers.
6. **Develop a Plan of Action.** Establish organizational goals that pull all of the resources of the bank together in serving the immigrant and minority consumers you've identified. Track your progress and measure success. Set realistic, long-term goals.

Obviously, the goal isn't just to sell banking products. Not in the short run. Bankers need to build long lasting customer relationships in the immigrant marketplace based on specially defined services, developed trust and customer loyalty. In today's search for new customers, every bank in America, big or small, should be taking steps now to reach out to America's growing immigrant and minority populations. The banks that are successful today in reaching this market will, themselves, be the banks of the future.

James Ballentine is Director of ABA Housing & Community Development. To find out more about how to develop a comprehensive approach and infrastructure in the bank for reaching the immigrant market, contact him at 1-800-BANKERS.