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Formal Calling Programs Benefit Banks

by Jack Tower

Stirring up new business for your bank is likely to mean stirring from behind your desk. Not all of the desirable borrowers in your area will come to you on their own.

The bankers we surveyed evidently acknowledge the importance of going out to contact potential borrowers. Seventy-two percent told us they make personal calls on prospective customers. But only 29% said they have a formal calling program.

Could the banks with formal calling programs be bringing in more new business than the others? We compared the new customers reported by the average respondent to the new customers reported by banks with formal calling programs. The banks' tallies for the year preceding the survey provided this revealing answer:

| Number of New Customers | National Average | Banks with Calling Programs |
|-------------------------|------------------|-----------------------------|
| None | 14% | 1% |
| 1 to 5 | 42 | 39 |
| 6 to 10 | 26 | 33 |
| 11 to 20 | 13 | 23 |
| 21 to 50 | 4 | 4 |
| More than 50 | 1 | 0 |

How They Work

We asked some of the bankers who have formal calling programs how they work. All of them, we learned, have several loan officers who focus on agriculture and are also responsible for making calls. Those calls are not only on prospective customers but on current ones – to keep in touch and learn about future projects in need of funding. Several banks have a specialized loan development officer in addition to regular loan officers making calls. The specialist turns over new customers to the regular loan officers.

Most have targeted numbers of calls to make each week or month. About two-thirds don't phone ahead. And almost all said the interval between a first call and success could be as long as several years. Most agreed that first-time visits are just to get acquainted – to get a feel for the farmer's or rancher's needs and for how well managed the operation is, but not to ask for that producer's business. And most try to have an idea of how desirable a borrower a producer is before they knock on the door. They may talk with others in the community and look the operation over from the road.

The Harder to Get, the Better

Repeatedly we were told that the most desirable borrowers take the longest to acquire. They often have good relationships with their current lenders and don't see a need to change.

As Greg Bell, vice president/department manager at Simmons First National Bank in Pine Bluff, Ark., told us, "If a farmer is hard to acquire, that's the one we want most. Because he's going to stay longest with our bank once we have him."

The calling program at Bell's bank exemplifies the more carefully worked-out programs. The bank's three agricultural loan officers select prospective customers from lists from the local Extension Service or a business/service club in the area. They divide the farmers into three groups: short-term (whose business they want right away), medium-term (less desirable, so less time will be spent on them), and

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long-term (whose business they want eventually but who won't be pursued as hard). They call on the short-term group at least twice a month except during the few months each year when their farmers – who are mainly in row crops – keep them in the office making loans.

With the short-term list, their minimal calling effort may involve six to eight visits over six months to a year before they get any of a farmer's business. In time, the bank will get at least some business from 40% to 45% of the farmers the loan officers target. This year, says Bell, they have targeted 25 people (broken into short-, medium-, and long-term). If they get 10 or 12 of them in the next year, that will mean they are doing a good job. So far (in mid-April 1993), they've gotten some of the business from four of them.

Like about two-thirds of the bankers we talked with, Bell says loan officers at his bank prefer to make personal contacts without prior phone calls. He says they have found that phone calls "don't really do anything." Instead, the loan officers drop in and, depending on the visit, they may follow up with a letter.

Just Show Up

A unique reason for not phoning a prospect before visiting was offered by Donald Eby, agricultural loan officer with Farmers First Bank in Intercourse, Pa. He says 50% to 60% of his bank's farm customers are Amish, so there is no phone to call ahead on.

Far to the southwest of Eby, Don Shaw, regional director of The Bank of New Mexico, gives a more typical reason for not phoning first: Cold calls are more successful. "Just show up," he advises.

The northeastern quadrant of New Mexico where Shaw's five banks are located is devoted mostly to big cattle operations. Every loan officer participates in the banks' calling program, and one ag loan development officer specializes in making calls and developing business. They prefer to target the small to medium-sized operator because this allows them to avoid big concentrations of credit. In that part of the

country, Shaw remarks, a medium-sized operation may have 35,000 acres or more and a herd size of 500 to 1,000.

They try to prequalify ranchers by checking on things like how long they've been in business and how successful they are before they go after them as borrowers. "It's a methodical pursuit," Shaw told us. "Most of the established, desirable prospects take time. It takes months, even years unless something has just happened to upset their relationship (with their current lender)."

Each loan officer makes at least three business development calls per week – one on a prospective customer, the rest on current ones. The success rate, says Shaw, is roughly 10% in the first six months, 30% in the first year, and 60% in the second year. The banks rarely give up on prospective borrowers because all prospects have been prequalified.

Avoid These Mistakes

What should you never, never do during a cold call? Here's Shaw's advice:

1) Never speak negatively about prospects' current bank relationship, because prospects get defensive. Instead, just show them you can do a better job.

2) Don't interrupt their work. If they're branding – or if it's winter and they're feeding – get out there with them. Don't make them come in. And if they say they're too busy, go away. Try again another time.

3) Don't initiate talk about politics. Let them bring it up if they want to. ▲

Copies of the results of Doane's survey "How Bankers Attract New Ag Loan Business" are available for \$20 from Doane Agricultural Services Inc., 11701 Borman Dr., Suite 100, St. Louis, MO 63146.

*The ABA has recently endorsed the use of Doane's **Farming for Profit** newsletter. For more information, contact Marilyn Wind at 314-569-2700.*