

FANS Not Customers

How to Create Growth
in a No Growth World

VERNON HILL

with **Bob Andelman**

P
PROFILE BOOKS

First published in Great Britain in 2012 by
Profile Books Ltd
3A Exmouth House
Pine Street
Exmouth Market
London EC1R 0JH
www.profilebooks.com

Copyright © Vernon Hill, 2012

1 3 5 7 9 10 8 6 4 2

Typeset in Minion by MacGuru Ltd
info@macguru.org.uk

Printed and bound in Great Britain by
Clays, Bungay Suffolk

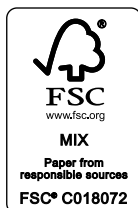
The moral right of the author has been asserted.

All rights reserved. Without limiting the rights under copyright reserved above, no part of this publication may be reproduced, stored or introduced into a retrieval system, or transmitted, in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of both the copyright owner and the publisher of this book.

A CIP catalogue record for this book is available from the British Library.

ISBN 978 1 78125 110 2
e-ISBN 978 1 84765 955 2

The paper this book is printed on is certified by the © 1996 Forest Stewardship Council A.C. (FSC). It is ancient-forest friendly. The printer holds FSC chain of custody SGS-COC-2061



Contents

Foreword	ix
Tom Peters	
Welcome!	xv
Introduction: Start-ups and Upstarts	1
Part 1 Two Banks, Two Continents: A World of Lessons	
1 Metro: A New Bank for a New Century	9
2 Commerce Bank: Early Days, Winning Ways	14
Part 2 Marketing is <i>Everything</i>	
3 Fans Not Customers	23
4 Putting the “Grand” in Grand Openings	32
5 The New Math	40
6 Love Your Bank At Last!	49
7 Surprise and Delight!	54
8 Dogs Rule and Kids Rock!	61
Part 3 Culture Counts	
9 Five Ways to Amaze	71
10 Culture Counts	79
11 Hire for Attitude, Train for Skill	82
12 Hope Is Not a Plan	95
13 Design as a Competitive Weapon	101
14 No Stupid Rules	107
15 Petplan: Insurance for Our Four-Legged Friends	113

16 Closing Words from a Man Who Never Closes Shop	126
What they say about Vernon Hill	134
Tom Brown: founder, BankStocks.com	134
Meredith Whitney: founder, Meredith Whitney Advisory Group LLC	137
William C. Taylor: co-founder, <i>Fast Company</i> magazine, and author, <i>Mavericks At Work</i>	139
Appendix: Lingo	143
Index	151

Welcome!

Despite appearances to the contrary, this is not a book about banking.

Really, it's not.

Does your bank open early, close late and welcome you seven days a week?

Does it let one person tell you yes, but require at least two to say no?

Does it invite your dog inside for a treat?

Does it educate and entertain your children?

Does it inspire fans, not customers?

That doesn't sound like any bank I know. Except Metro Bank, the one I co-founded in London in 2010.

Which brings me back to my original point: This is *not* a book about banking.

Metro Bank doesn't have branches; it has stores. It doesn't have employees; it has team members. It doesn't chain its pens to desks so customers can't walk away with them; it gives out millions of pens and encourages customers and non-customers alike to take them home and share them with friends.

And I can't emphasize this point enough: *fans*, not customers.

This book is packed with learnable lessons from the

Commerce Bank and Metro Bank experiences in the United States and United Kingdom, respectively. You'll even find them collected in a convenient appendix at the end. These are the immutable truths that we discovered along our journey. I hope they help you rethink your own business in the future.

Don't approach this book the way you would the story of some unsexy, boring bank. We compete with them, but we're not *of* them. We represent a retail experience you won't soon forget—and we think *your* business should, too.

This is a book about exploiting your potential as a company or employee. Whatever describes you, I think that you'll find ideas and methods in the pages that follow that will make you a greater, more valuable asset to yourself and your company.

To my fellow entrepreneurs, recognize and grasp your opportunities as they present themselves; learn how you can deliver value, differentiation, and improvement. I believe in: the importance of branding; that hope is not a plan; that no one needs a “Me, Too” anything; and that value creators are wealth creators.

Metro is definitely not your grandfather's idea of a bank.

And this is definitely not a book about banking.

Vernon Hill

London

September 2012

Introduction: Start-Ups and Upstarts

The best way to predict the future is to invent it.

Alan Kay, co-creator of laptop computing and graphic user interfaces, and the man whose work directly influenced the creation of Apple's Macintosh computer

Great customer-focused retail brands are few and far between:

- Apple
- Four Seasons Hotels and Resorts
- John Lewis
- IKEA
- Amazon
- Commerce Bank and Petplan in the US, and now Metro Bank in London

My life's focus has been on creating great brands and great companies. In this book, I will share my philosophy of business and wealth creation. You'll learn how to build companies that have value to customers, investors and yourself. And if you're a team member of one of our own businesses, including Metro Bank and Petplan, you'll learn exactly what is expected

of you and how to chart a path of growth, accomplishment and success.

With me, every conversation about building a great brand, generating wealth and creating fans, starts with three primary elements:

Differentiated *Model* +
Pervasive *Culture* +
Fanatical *Execution* =
FANS not customers

It's a customer service-centric business model that I believe can be applied to any business, in any industry.

Steve Jobs, co-founder of Apple, believed in the highest possible levels of customer service but not necessarily in giving the customer what he thinks he wants. He told biographer Walter Isaacson, author of the 2011 bestseller *Steve Jobs*:

Some people say, "Give the customers what they want." But that's not my approach. Our job is to figure out what they're going to want before they do. I think Henry Ford once said, "If I'd asked customers what they wanted, they would have told me, 'A faster horse.'" People don't know what they want until you show it to them. That's why I never rely on market research. Our task is to read things that are not yet on the page.

Jobs ignored market research and never ordered it. And I never have, either. He had an innate ability to see beyond what market research could tell us. If you're inventing the future, what is market research going to tell you?

*

I founded Commerce Bank in southern New Jersey in 1973.

When we took the concept into Manhattan 28 years later, the financial press saw red. How could a little bank from New Jersey compete in the Big Apple? Reporters and columnists that failed to do their homework didn't realize that we had already established and proven a unique customer model, and exactly the same thing happened more recently as we introduced Metro Bank to London in 2010.

How could this no-name, no-brand new bank compete with the London high street banks? All the market research said it couldn't. It said the British wouldn't switch banks under any circumstances. But we were about to deliver something that market research couldn't measure, a level of service that people couldn't compare with anything they previously experienced: a unique retail experience. We arrived and gave people something that they didn't know existed.

In May 2000, Apple's value was one-twentieth of Microsoft's. In August 2012, Apple became the most valuable company in history. The iPhone and the iPad were not lucky flukes. They were the natural result of the progression Jobs spent his life perfecting.

No matter how much a company brags about itself, customers know the truth. They may buy a Windows PC or an Android mobile phone because that's what their company requires, but they're nowhere near as happy as the Apple user who is literally a fan of the manufacturer. John Lewis in Britain, IKEA, Carrefour, Four Seasons, and Starbucks, worldwide, similarly prosper by redefining customer service.

How do I know that Commerce Bank (and now Metro Bank) created *FANS not customers*? I could say it was the intense loyalty that developed around the brand. Or I could let Tom Petro, senior vice president of J.D. Power and Associates, a leading customer service research firm, do the talking for me:

Commerce applied out-of-the-box thinking to what is normally a fairly buttoned-up business. What Commerce

has done so well is to figure out what their niche is. With Commerce, it's about friendly service and convenience, kind of the everyman's bank ... According to the voice of the customer that J.D. Power is hearing, Commerce just does a great, great job and stands out among the crowd.

Fans tell their friends about you. They join your team. At family and friends' barbecues, they tell everyone about something magnificent your employees did for them, above and beyond the call of duty. They don't patronize you, they *become* you.

The premise of this book is to demonstrate how Metro Bank and Petplan employees build fantastic value by creating fans. It's the *Good to Great* story with real-life examples from someone who lived them.

Great businesses attract new customers, retain these customers and watch as happy customers become fans and recommend their family and friends: *FANS not customers!*

*

One more thing about this book and our businesses in general: I didn't do any of this alone.

In 1973, besides opening the doors at Commerce Bank, I married my wife, Shirley, on December 22. A graduate of the Pratt Institute in Brooklyn, she subsequently founded her own design firm, InterArch, and established a unique ability to unite architecture, design and brand building. With Shirley by my side, design is a major competitive weapon—one every entrepreneur should pursue.

Over the years, Shirley and I have been partners in creating the design and executing the unique brands and facilities of Metro Bank, Petplan and Commerce Bank. She and her team created and executed the look and brand at Commerce, and she

is a critical element in the look and the feel of our latest brands as well.

Shirley's role was originally to interpret, preserve and enhance the brands as well as create a unique exterior architecture and interior design. I developed the model and set the standards for Commerce Bank: "America's Most Convenient Bank." When I said things such as "the world doesn't need another 'Me, Too' anything," Shirley and the staff of InterArch took a commoditized business and turned it into a retail brand. They added emotion, commercial appeal, and fun.

One of the greatest examples of her work can be found in Metro Bank's Magic Money Machines, the free to use coin counting devices in every Metro Bank lobby. Imagine the moment the manufacturer rolled the prototype black boxes—measuring $36 \times 24 \times 24$ inches, which, unvarnished, look like small refrigerators—into her office. Her job? Make it "AMAZE!" customers.

Making these companies soar is also about the development of environments, the attention to detail, and great respect for the creative aspects. Shirley gives our facilities the energy and positive vibe that customers love. She knows me and the Metro Bank and Petplan businesses better than anyone else could after four decades on the job together; with her professional skills, who could I possibly trust more to get it right?

I believe that great design is a pillar of great *companies*, and when you go in our stores, you will be AMAZEd, too.

We've also discovered a new partner in London in the person of Metro Bank's CEO, Craig Donaldson. You'll learn more about him later; he is a person who lives and breathes the Metro Bank culture. Making the model and brand grow in the UK is a personal quest for him because this is his country and Metro Bank is his bank. It's the application of our business tenets, for which he has spent his entire career searching.

In these pages, I shall describe and expand upon our beliefs and experiences. I believe you have unlimited potential to be

all you can be. Your company—large or small—needs you to succeed and grow. You have the potential to be a star.

To entrepreneurs, the future is yours. Each of you has unique talents, and if you are lucky enough to match these talents with your vocation, your future is also unlimited.

No one needs a “Me, Too” business or a “Me, Too” team member. You and your business need to add value, everywhere, every day.

Good luck in creating your own *FANS NOT CUSTOMERS!*

1

Metro: A New Bank for a New Century

Dream more than others think practical. Expect more than others think possible. Care more than others think wise.

Howard Schultz, founder, Starbucks

Several days after my departure from Commerce Bank in the US, my Metro Bank UK co-founder, Anthony Thomson, invited me to help him break through the century-old resistance of Britain's financial environment and build the country's first newly authorized retail bank in generations. The experience has been nothing short of exhilarating.

When we opened our doors to the public in July 2010, Metro Bank became the first new London high street bank in over 100 years. With one enormously successful grand opening, we changed the course of business for generations to come.

Metro Bank employs the bank model and culture that I developed and that was an unparalleled success in the US for more than three decades. Now we have exported it to the UK. We plan to have 200 offices in Greater London by 2020 and at least 5,000 team members and £25 billion in deposits. We're going to Apple-ize the banking world in Britain, particularly in Greater London.

We offer banking focused on the customer through

unparalleled levels of service and convenience. With our unique, customer-focused business we reinvent the rules of retail banking, making every effort to remove all stupid bank rules from our services to offer simpler and more convenient banking to our fans. Our stores (a term we prefer to “bank branches” because there is nothing traditional about our sites) are open seven days a week, which demonstrates our commitment to customers that we’re open for *their* convenience, not ours. And our call centers never close, with live team members answering customer questions and solving problems 24/7.

Metro Bank is a true growth company—from our model to our culture to our investment philosophy. Our deposit growth comes from two areas: comparable store deposit growth from our current store base, and new stores.

Comparable store growth is the core of any great retailer. If you cannot grow your existing stores, you do not deserve to expand. Comparable store growth has proven to be the only reliable predictor of new store success.

To Metro Bank, being a power retailer means more than serving just the consumer market. We believe in delivering a unique, differentiating, value-added customer experience to every segment we serve, including consumer, commercial and governmental.

In our world, Metro Bank is nothing like a bank at all. It has “bank” in its name, but that’s about it.

In all our stores you’ll encounter face-to-face service with no requirement to book an appointment to discuss your banking needs. We instantly open your new personal and/or business account—often in 15 minutes—and offer card and cheque printers on site so you can walk away with everything you need to start using your account immediately. Call us on the phone and you’ll receive unparalleled service from a live person, 24 hours a day, 7 days a week, 365 days a year. We aim to exceed the expectations of our customers every day.

The day we opened the first Metro Bank store in London, the place was a complete mob scene, not unlike the arrival of the first Apple store in Beijing in 2012. The excitement was broadcast live on BBC One for three hours—that’s right, people in the act of opening new current and savings accounts captivated an entire nation. It was a scene of extraordinary excitement and, frankly, a little pandemonium.

*

You could say that the world didn’t need another bank, but we always said that what the world didn’t need was another “Me, Too” bank. What the UK needed pretty badly in banking was something it lacked: outstanding customer service and convenience.

As construction proceeded apace, we were told by “the experts” that our colors were too bright and we were far too brash, that “Love Your Bank At Last” was far too in-your-face, that our “Dogs Rule” would never work, and as for “Kids Rock,” well, we shouldn’t say “rock” about kids. We were told by experts, “You should use pastels, maybe a light green and a soft yellow.”

We dismissed all this misbegotten advice. Something that propelled our confidence was the early hiring of Craig Donaldson, our CEO. He is responsible for providing executive leadership to the bank’s already 500-strong team. He is charged with guiding the bank’s evolution from fresh, new entrant in retail banking to trusted financial services partner to millions of British customers.

From helping define Metro Bank’s brand values, to hiring its inaugural employees and ensuring that the bank’s staff deliver daily customer delight, Craig has been instrumental to Metro Bank from day one. His previous roles included managing director of retail products at RBS, as well as senior roles with Barclays and HBOS.

But despite his credentials, Craig is as unlike a typical British banker as anyone I've ever met. He spent most of his career railing against the stuffy London high street habits of inconvenient bank hours, lousy customer service and countless stupid rules.

Furthermore, Craig studied the Commerce Bank model at Harvard Business School in Boston and experienced it in action in the mid-2000s. He knew the British banking business could be better than it was, and after seeing Commerce create *FANS not customers*, he grew even more frustrated with business as usual back at home.

"I was probably seen as the guy who always railed against it from the inside," Craig told me. "I always knew this could work. What's not to like about service and convenience? But it could only be created from scratch."

When we brought Metro Bank to the UK, Craig was a natural to lead the revolution.

*

Almost every media report on the opening of the first Metro Bank—and almost every store we've opened since then—likened the look of our premises to an expensive hotel lobby or a casino.

Once you walk inside one of our stores, you know life is different because it doesn't at all resemble the typical British banking experience. Many British banks commit a full third of their retail space to ATMs because they don't want customers to talk to customer service representatives. We, on the other hand, want customers inside our stores, "safe, dry, and free." We want them on hand to see and enjoy the bank.

One day it was raining at the new Holborn store and we looked across the street and saw 20 people queuing up, in the rain, waiting to use an ATM outside a Sainsbury's supermarket.

It made us crazy seeing their inconvenience when we had four ATMs indoors. We marched across the street with raincoats and umbrellas and escorted them back to our dry environs.

*

No model works without team members who believe in it and fundamentally execute it. We have recruited hundreds of team members—and will recruit thousands more in the future—and they have seen the magic of a unique culture executing the right model.

In the retail business there are companies that grow rapidly. They attract because they create excitement. People want to get a thrill out of patronizing your business, whether it's a bank, a retail store or even a pet insurance company.

Metro Bank is on its way toward creating fans and redefining British banking. And I can't wait to tell you how we do it.