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## ***How PPP Created BBB (Big Bank Backlash)- And What It Means to Your Community or Regional Bank***

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by

Theodore A. Rosen  
President, Expert Business Development, LLC

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Sometimes things don't turn out the way you expect.

Take, for instance, the happy, striving middle income family that wins the lottery. A year later the family is torn asunder and their "blessing" turns out to be a curse. On the other hand, sometimes what originally seems like a burden turns out to be a blessing. Such is the case for the Paycheck Protection Program ("PPP"), and the thousands of community and regional banks that had to scramble to administer the program in the early days of the coronavirus pandemic.

In an effort to provide a lifeline to many millions of individuals and businesses struggling to stay afloat amid the worst healthcare and economic disaster in over a century, the CARES Act, through the SBA, created the mother of all fire drills for the banking community in America. To prepare, banks had to abandon their traditional conservative, deliberate and cautious approach in favor of developing and implementing a solution based on creativity, agility and out-of-the-box thinking as well as herculean effort throughout the organization. To accomplish this, these traditionally bureaucratic institutions had to become instantly entrepreneurial in approach and behavior, and the majority of community and regional banks were able to rise to the occasion.

The biggest banks, Bank of America, Wells Fargo and others, were far less capable of making the necessary changes in behavior that were required to meet the challenge. As a result, a very significant number of their customers, primarily small and mid-sized businesses, were left out in the cold not getting their PPP loan through their institution or going through incredible aggravation and pain to do so. Poor or no communication was the hallmark of their disappointing experience.

This created a condition that we are calling BBB for Big Bank Backlash, which, as it turns out, has handed the community and regional banks an enormous gift.

A little context here-- my firm has had, for 27 years, a single focus: to develop commercial opportunities for banks and connect commercial bankers with decision-makers (owners and CFOs). Each year we make close to 10,000 appointments by telephone outreach to those decision-makers and, in the course of that enterprise, hear what's on their minds regarding their banking relationship. We hear the good, the bad and the ugly, and, while there has always been a lot of bad and ugly associated with the biggest banks, PPP has taken that anger and resentment to a whole new level.



Unfortunately, many banks have not capitalized on this enormous gift that the biggest banks have unwittingly provided. Some banks have been very slow in getting back into the business of business development. In some cases, there is the fear that reaching out to businesses during a pandemic would be in bad taste or received poorly. We have found the opposite. In times of high anxiety many businesses welcome outreach, both by their own banks as well as other institutions. Anxiety often creates the need or desire to have alternatives or keep one's options open. Of course, there has to be some sensitivity in messaging; it can't be business as usual.

Many of the banks that have gotten back into business development mode have not put enough forethought into how to modify their tactics to adapt to what we are all now calling "the new normal". It's ironic that, as nimble and entrepreneurial as many banks were during the PPP application process, many of them have not demonstrated the same level of entrepreneurship in the wake of PPP, starting roughly at the beginning of the third quarter.

We have developed some best practices for commercial business development during the pandemic. They not only reflect what we have found to be common approaches from banks that seem to be getting it right, but they also reflect many of the techniques that we have incorporated into our own efforts:

1. **Re-examine your target profile.** Every bank has a profile incorporating the attributes of their ideal clients. The primary criteria are location, revenue and industry. The pandemic has clearly reshuffled the deck as far as winners and losers. While, sadly, many businesses are struggling mightily to survive (restaurants, hospitality, entertainment, etc.) some businesses are thriving thanks to the pandemic (delivery, wholesale food and beverage, PPE manufacturing and distribution, home entertainment and technology, pet-related and businesses providing physical modifications such as Plexiglas dividers). Now that the SBA has made PPP application data available, we are having a field day targeting customers of those banks that dropped the PPP ball. One precaution, the data that the SBA provides must be appended with a much richer data set. If you are not sure how to do that, we can help.

2. **Getting to decision-makers.** With many people working from home or in other remote locations, getting to decision-makers requires some creativity and persistence. Working through receptionists and gatekeepers to get to decision-makers is more important than ever. Also leaving effective messages can go a long way in getting a call back.

3. **Modify the messaging.** Your relationship managers need to be sensitive to the fact that we are in unprecedented times (although that term tends to be overused). A positive message might sound something like "For XX years we have been helping businesses in our community through good times and challenging times. We'd love to have the opportunity to learn about your business and explore whether there might be an opportunity to be of assistance, now or in the future".

4. **Don't talk, listen.** This is not a pandemic thing; this is a universal challenge for bankers. It happens to be especially important when many businesses have been and continue to be challenged by circumstances beyond their control. Being empathetic, even when a prospect seems to be an unlikely fit, can go a long way in creating goodwill for the Bank and perhaps even resulting in a referral to another business.



5. **Get good at virtual.** The vast majority of the appointments that we have made and continue to make are virtual, either phone or video conference, the latter being much more effective. Your organization and your people have to be very comfortable working in this environment, utilizing platforms like Microsoft Teams, WebEx, Bluejeans, Zoom and Google.

6. **Be patient and play the long game.** This is also a fundamental prescription for commercial banking. The pandemic just underscores its importance. While bankers that come out of the CRE, equipment finance and retail arenas tend to be very transactional, successful C&I bankers understand that it's all about building a relationship which takes time and patience. In our business we call this Respectful Persistence. In this environment especially, some of the businesses that your team will talk to will be immediate opportunities (especially where there is anger and resentment toward their current institution), some will be long-term opportunities, and some will never be opportunities. While it should be self-evident, the most successful bankers understand that you have to kiss a lot of frogs to find a prince.

As of this writing, for most people 2020 is coming to a welcome end. Even with the vaccine starting to be distributed, the new normal may be around for the better part of 2021 and the old normal will likely never be seen again. As you develop your tactics and strategies for 2021, it will be especially important to stay nimble, creative and entrepreneurial, just as you approached the PPP challenge. As we have found, both anecdotally and statistically in many markets around the country, the market is extraordinarily receptive. The big banks have given you an absolutely wonderful opportunity-- don't squander it.

*Ted Rosen is president of Expert Business Development, LLC, based in Bala Cynwyd, PA. The firm helps community and regional banks acquire, expand and retain small business and commercial banking relationships through professional calling programs and providing the advice and guidance to help its clients' overall sales process. Mr. Rosen is a frequent presenter at banking conferences.*

Contact [tarosen@expertbizdev.com](mailto:tarosen@expertbizdev.com)