

Dean Discusses Business and Banking in Interview with Vernon Hill II

Dr. Michael Williams, dean of the School of Business and Management at Thomas Edison State University, sat down with Vernon Hill II, founder and chairman of Metro Bank and former president and CEO of Commerce Bank, as part of the Camden County Regional Chamber of Commerce's 'Game Changer Series,' at Hotel ML, in Mount Laurel, N.J.

Here are some excerpts from Williams' discussion with Hill as part of the first interview in the series:

Q: The Commerce Bank business model reinvented banking. Can you take us back to how that model was developed?

A: The Commerce Bank story – and also Republic Bank now – is a success story. Commerce started as a company with nine people, one office and \$1.5 million in capital at a time when there were 24,000 separate banks in America and we were 24,001. We had no brand, we had no locations, we had no name – we had nothing. But because

convince their friends to switch. My book, *Fans Not Customers*, describes how we started Commerce in 1973. We took retail ideas about service and convenience and applied them to a business that needed change. The book is written about our experience as an example of how you can build your business and how you can build your career. Every great business has a very clear and defined business model that adds value for the consumer. I've learned after all these years that your business model is the most important.

"I BELIEVE THAT GREAT BRANDS ARE ABOUT BUILDING BUSINESS MODELS THAT BUILD FANS."

Vernon Hill II

of the efforts of you, your family and your friends, we built Commerce into the 18th largest bank in America. It was built on a simple business model providing unparalleled service and convenience. More recently, Metro Bank in London is the first new retail bank started from scratch since 1840. It is our model that we all built together recreated in Britain. Everything we did here works better in Britain. It's a tremendous success already. After our fifth year, we have 2,000 people working for us and a market value of more than \$2 billion. It is amazing to watch how what we learned to build in America work so well in Britain.

I believe that great brands are about building business models that build fans. There is no way to build a high-growth business without building fans. Apple is the current extreme example. Every Apple user is trying to

If you have the right business model, you have to build a culture to match your model. We all see so many businesses where the culture and model are opposed. At Commerce Bank, we learned to fanatically execute our business model.

People have asked me, "What used to keep you awake at night in your last three or four years at Commerce?" Commerce was getting 21 million in-store customer visits a month. This was happening all over, in New York, in Queens, in Brooklyn. Not only did we have to serve those people, but we also had to turn them into fans. When something goes wrong, how do we turn those people into more of a fan after we solved the problem? So the whole Commerce story is built around those three ideas: a value-added model, a pervasive and reinforcing culture and fanatical execution.



Dr. Michael Williams, dean of the School of Business and Management

Q: What do businesses need to do to build fans?

A: If the objective of your business model is to build fans, you have to deliver a unique experience to them, and when something goes wrong you have to respond to make them even more of a fan. It's how you respond and how you treat them. We always say that every bank dispute is about \$112. In other words, you will get into a fight with a customer about some insignificant amount of money and they will fight with you about it. We knew that a customer was worth \$3,000. We decided that anything we did to make you a fan short of \$3,000, we should do. And our whole system was designed to make that happen.

We have an endless campaign to kill every stupid rule we can find. Every business has a bunch of stupid rules,



Vernon Hill II (left), with Dr. Michael Williams at the Camden County Chamber of Commerce's 'Game Changer Series' chat.

and you don't know why you have them. And just when we thought that we killed every stupid rule, we hire new people and they bring their stupid rules with them! You have to be so fanatical about this to keep the stupid rules out. As many of you know, my wife is fully involved in the building and



Vernon Hill II, founder and chairman of Metro Bank and former president and CEO of Commerce Bank pictured with wife Shirley and dog Duffy.

“KILLING STUPID RULES IS A NEVER-ENDING QUEST FOR GREAT COMPANIES.”

Vernon Hill II

marketing of the bank. In Britain, she does all of the marketing and branding. They can't change anything – even as minute as a form letter – that doesn't go through brand approval. Why? Because I'll hire someone from Lloyd's Bank and they bring the Lloyd's form letter and they start using it. When you have a brand, you have to be fanatic about the brand. All of you remember the banks of the old days when they had the check counters and they had a pen anchored to the check counter. They've got to save that pen. The last year at Commerce, we gave away 28 million pens. Do we want to save the pen or do I want every household in New York, New Jersey and Philadelphia to have Commerce Bank pens?

Killing stupid rules is a never-ending quest for great companies.

You know we have this saying on both sides of the Atlantic called “dogs rule.” The banks don't let you bring your dogs in. Of course there is no rule about it, so we turned that at Commerce and Metro into “dogs rule.” You can bring your dog in, we know their names, and we give them a treat. Now we have taken it to where we microchip dogs at our branches in Britain. On certain weekends, you can adopt dogs in Britain in our stores. The customers take that to mean, if you love my dog you must love me. And if you think about what we did at Commerce, it's how we put the parts together. We learned to deliver a differentiated, value-added experience and unite the parts.

Q: You are a learning steward who has demonstrated a commitment to promoting fiscal literacy for children. What are your thoughts on this?

A: I've been called a lot things, but learning steward is a new one! With

Commerce and now with Republic, we go out and teach kids about 9 to 10 years old in a four week class about money. It's part of our idea to make each of our stores the local community bank. We are now doing this in Britain and will teach 20,000 to 30,000 kids this year. No one else has ever done it in Britain, and it is just another way of building our brand and building our community.

Q: Knowing what we know today about banking, has Commerce Bank's service model enabled entrepreneurship in the U.K.?

A: Everything we do in America works better in Britain. There are 7,000 banks in America. In Britain we were lucky enough to arrive with a new model at the right time and compete against five giant bank players who died 40 years ago but they forgot to tell them. Now, everybody knows this – the government, the press, the customers and the banks. The most reliable measure of how your business is doing is the net promoter score. What percentage of your clients will recommend you. This is the single most reliable measure that you will find. Our net promoter score in Britain is 79 percent. If you have a negative net promoter score, you should shut down immediately. Fortunately, a lot of former Commerce people came over to help us set up Metro. There was tremendous help from South Jersey people from Commerce that came over and got Metro off the ground. Also, I want everybody to look at the new Republic Bank – the glass cubes in Cherry Hill and Marlton. There are lots more coming. We've never built a building that is so transformative for a brand or a town. It's an interesting commentary on how the building is the face of our brand. You can imagine these old antique buildings next to our glass box right next door and how transformative they are.

Q: How do you hire?

A: When you have a growth business, you get to recruit people, you get to grow people and you get to advance

people. We try to recruit people whose personality matches our culture and model. If they don't smile during their first job interview, then they are out because if they don't smile then they are never going to smile. And then we give people the freedom to grow. I say to most people when they start with us, this company is going to grow fivefold, 10fold or 20fold. Either you grow with us or you're going to get a boss. And then we train them and over train them. In Britain, the diversity of people is amazing. At Metro in London, we just celebrated our fifth year. In five years, we've grown more than 100 percent compounded – from zero to 2,000 people. Now, that is not supposed to happen in the banking business. This is the fastest growing bank in the western world – ever. That's how extreme this is. We have to recruit people, we have to train them and we have to manage them. One of my real concerns as we grew so dramatically at Commerce, was being able to deliver the same experience in South Jersey and in Queens in New York. What we learned was to take the small town, small bank feel of banking, where you know the people, and work directly with your customers, and grow it on a large scale.

Q: Commitment to banking is your life's work? Why?

A: Everyone is better at something than everyone else. If you are lucky enough to find out what you are the best at and you can match that up with your business or your vocation, you have a chance of being a star. Great chefs taste the food differently than we do. Great musicians hear the music differently than we do. I was very lucky to be pretty good at the banking business and looked at it from a different point of view, and I had this combination of talents that were new in the banking business. I talk to students on both sides of the Atlantic about this all time. I tell them to go find your unique talent, where you can add value and that can match up what you want to do in life, and you can be a star.