

Marketing a Niche

Catering to a growing Asian-American population

by Becky Bergman

"When you make an effort to help the community grow and prosper, the bank will grow and prosper with it."

—Raymond Tung,
Asian American Bank

FACTOID

Asian-Americans' total purchasing power is estimated at \$100 billion, and their spending on personal investments is projected to increase 77 percent by 2007.

Source: Harris Nesbitt Equity Research.

Raymond Tung never considered getting a car loan or a mortgage from a bank until he launched his financial career during the early 1970s. In fact, the China-born executive didn't even have a checkbook until he graduated from Columbia University with an MBA degree.

"When I arrived here in the United States, I didn't even know I could go to a bank," says Tung. "That is actually one of the first challenges immigrants face when they arrive here. They don't have the knowledge and awareness about the banking industry and how easy it is to open an account and tap into the resources available to them."

Part of the problem, Tung says, is that many immigrants don't speak English. Additionally, they lack a credit history, don't have established bank references, and have very little access to money until they settle into a job. New transplants are not the only ones that find it overwhelming to navigate the banking system. Small businesses owned and operated by Asian Americans often face challenges in obtaining capital to grow their businesses.

When board directors from Boston-based Asian American Bank called Tung in 2002 and offered him



Rallying Support—From left, Eugene Welch of the South Cove Community Health Center, Chau Ming Lee of the Asian American Civic Association, Raymond Tung of Asian American Bank and David Moy of the Boston Chinatown Neighborhood Center gave their support for an online donations initiative for non-profit organizations. Asian American Bank's Web site processed credit card donations on behalf of the non-profits.

the role of president and CEO, he pondered the offer, but ultimately wasted little time making his career-changing decision. "I must admit, when I first received an offer to join, the idea was not overwhelmingly appealing to me," says Tung, who had already spent 27 years working for large financial institutions. "I had worked only with the world's largest banks. Working for a community bank had never entered my mind."

But then he had an epiphany. "I reflected on my own experience immigrating to this country from Hong Kong, and I saw an opportunity to help others in their journey."

By the time Tung joined Asian American Bank, it had grown to more than \$100 million in assets and had a strong base of customers in the Asian community. The directors were eager to grow the

bank by offering new products and services with "a healthy dose of professionalism," while maintaining its small community charm.

Today, the bank has more than \$130 million in assets, total loan business exceeding \$88 million and three branches, including a location in Quincy, an area that boasts the second largest Asian population in the state. In fact, roughly 25 percent of Asian American Bank's 34,000 accounts are from Quincy.

A Growing Market

During the late 1980s, Boston's Chinatown was experiencing a rapid decline as small business owners struggled to obtain financing to expand. Absentee owners who failed to properly maintain the properties owned many of the buildings.

In 1989, a group of Asian Americans, their friends and community leaders banded together to raise the funds to open the bank, a tedious effort that took four years to accomplish. Asian American Bank (NASDAQ: ABBT) first opened its doors in August 1993. It was the only new bank chartered in Massachusetts between 1989 and 1997.

About the same time, the Asian population witnessed an explosion of sorts, becoming one of Massachusetts' fastest growing groups, increasing by more than 65 percent over the decade. Chinatown was beginning to expand and a growing number of Asians were moving into the Boston suburbs.

Along with the population surge, Asian Americans were also making and spending more money than ever before. The median

income of Asian families was \$59,300 compared to the median for all families, which was \$50,000, according to a December 2004 US Census Bureau report, "We the People: Asians in the United States."

Nationally, Asian Americans' total purchasing power is estimated at \$100 billion,

and their spending on personal investments is projected to increase 77 percent by 2007, according to Harris Nesbitt Equity Research, an investment banking and corporate practice. "We must be smarter about understanding the banking habits of our customers to better serve them and increase profits," Tung says of how to reach this market.

Improving Service

By allocating more people to the business development office, upgrading management positions and streamlining the credit approval process, Tung says the bank was able to become stronger, faster and more flexible.

The most critical change came in customer service, where execs instituted regular customer-service training programs and began standardized performance reviews of tellers and customer service representatives.

"We created a new greeter position at our Chinatown branch to enhance our welcoming appearance and we revamped our phone system to ensure that calls would be promptly answered by a human being whenever possible," Tung says.

The changes were not without their challenges. Within the Chinese community alone, there are many different groups. Boston's oldest Chinese immigrants originate from Southern China and speak in the Toisanese dialect, followed by Chinese from Hong Kong, who predominately speak Cantonese, and the Chinese from Taiwan and mainland China, who speak Mandarin.

"These groups also have many cultural and lifestyle differences and depending on how long they

BANKING ON THE FACTS

- Compared with all other cultural groups, including Caucasians, Asians have the highest percentage of households in the \$75,000 or above annual income range.
- Asians have the highest median home value among all ethnic groups (including Caucasians) in 48 states.
- Asian Americans are most likely, of all groups, to have a household computer (65 percent) and Internet access (56 percent).
- From 1990-2000, every state's Asian population grew at least 33 percent.
- As of 2000, and for the first time in history, Chinese is now the second most prevalent foreign-language spoken in U.S. households.

Source: US Census Bureau, 2000

teaches Asian Americans in an easy-to-understand Chinese language version of the FDIC's Money Smart curriculum.

Asian American Bank uses the materials as part of its series of monthly seminars to address important financial and banking concepts, such as understanding savings options, planning for a first home mortgage, and financial fraud and identity theft.

In addition to its monthly seminars, the bank has introduced new programs and banking products. Some of the recent initiatives included the \$50 Million Loan Program for first-time homebuyers and property investors; Group Banking Service Packages; Premier Student Banking Services; Chinese New Year Promotions such as the "88 & 388 Days CD" and "Wire Transfer Online Donations Program for Non-Profit Organizations" and the 2004 Tsunami Relief Fund.

Nara Bank executives meanwhile offer sponsorships to cultural arts, concerts, fairs and foundations. The bank also committed \$1 million in scholarships for 10 years for a total of \$100,000 per year.

"I believe that no matter what market you are targeting, whether it's Asian Americans or another group, you need to get involved in the community around you," says Tung. "When you make an effort to help the community grow and prosper, the bank will grow and prosper with it." **fb**

Becky Bergman is a free-lance writer in Antioch, Calif.



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