



A capital

idea

## Metro Bank is set to become the next big name in franchise business lending. Katie Shevlin meets founder and chairman Vernon Hill II

In 1973, aged just 26, Vernon Hill II set out to revolutionise the retail banking customer experience. Vernon obtained a bank licence, \$1.5million in capital and nine staff members. Growth was steady, and over 33 years Commerce Bank expanded from one location to 435. Vernon slowly refined the model, turning the relatively mundane business of banking into an exciting retail enterprise. When he sold the company in 2007, Commerce Bank was the 18th largest bank in America, reporting growth of 25 per cent year on year. Vernon launched the UK equivalent, Metro Bank, in 2010, and it has proved a huge success thus far.

**"Not only do Metro Bank allow your dog in, they'll know their name, give them a treat... they'll even chip dogs in-branch"**

After he sold Commerce Bank, Vernon had a friend in the UK who told him he had to bring his service and convenience model to London. According to the friend, the banks here had "lost the plot". So Vernon got on a plane to London and began the quest to develop a brand new retail bank for the UK market – the first new one in over 100 years. The company faced a number of challenges in simply getting the model off the ground: could they get a bank licence? Could they recruit top management? Could they build a modern IT system? Could they raise the money? The answer was a resounding yes, and Metro Bank opened its first store in the summer of 2010.

Commercial business has proved stronger for Metro Bank than consumer business. "There is a tremendous demand for commercial credit and not much supply. Our basic message is: you get an old-fashioned banker, you know them, they know your business."

Vernon was a Burger King franchisee for 30 years, and he is passionate about Metro Bank's franchise finance offering. He enthuses: "We like lending money for expansion and operation, and we particularly like lending for a piece of land on which to build a new store." As with the rest of the Metro Bank concept, it is very relationship-focussed.

Vernon's other experiences of the retail industry have greatly influenced the way he approaches banking; during his time (pre-Commerce) working with clients developing new sites for expansion, Vernon learnt the importance of brand and building fans. "My first client was McDonald's. I saw that they make money on every consumer; they don't worry about high transaction prices, and they are consistent in their delivery within every store across America." With Commerce Bank, and later with Metro Bank, Vernon set out

to implement the fast-food industry model of service and convenience, and a focus on the customer experience into the banking environment.

Metro Bank represents a stark departure from traditional banks, even preferring the term "stores" to "bank branches". In fact, all the elements of Metro Bank, from the bright colours in stores, to the motto "Love Your Bank At Last" are not subtle, and much at odds with the other high-street banks, but perhaps this was the smartest way for a brand new bank to compete – reinvent the concept. Loud colours aside, the Metro Bank approach feels extremely fresh. Vernon sums it up: "We have the best locations in the best towns, we're open seven days a week, we're open 8am to 8pm, it's open, it's friendly, it's fun. You can open an account in 15 minutes or less. We deliver online, we deliver mobile, and a human



being answers every call."

The stores are also very dog friendly. "Not only will they allow you to bring your dog in, they'll know your dog's name, give them a treat, they can chip dogs in-store." Metro Bank's passion for our canine friends stems from Vernon's love for his own dog, Duffy, but has been employed as part of the model because he believes it is simply good business sense: "Customers think 'if you love my dog, you must love me'."

Many 'experts' doubted the potential of Metro Bank, and there was big risk involved in its launch; it was in no way certain that Brits would accept this strikingly different way to deliver banking. Acceptance has been extremely strong, however; at the time of writing, Metro Bank had reached almost 500,000 accounts. Vernon doesn't seem surprised: "British customers want the same as every other customer – service, convenience and to talk to people." In fact, Vernon claims there is very little difference between Commerce Bank and Metro Bank. "We are

basically running our exact same American model in London and it's tremendously successful. In fact, it works better in London than it does in America, because the market hasn't had anything fresh and new."

The one main difference Vernon cites is the location of ATMs, and it is testament to the resoluteness of Britons regardless of the challenges the outside elements present. "If you go into one of our Commerce Bank stores in the US, you'll see the ATMs are in the foyer, where you're dry, warm and safe. Brits would

rather use the machine outside where you're cold and wet!"

Vernon released a book in 2012 entitled 'Fans not customers', which explains in great detail the culture at Metro Bank and why it has given them a competitive edge. Both in the book and during our chat, Vernon cites Apple as the best example of building fans, not customers. "You don't buy an Apple phone because it's the cheapest; you buy it because you are buying into the Apple experience. And that's what Metro Bank is all about."

Vernon has an ambitious vision for UK growth, aiming for 200 stores in Greater London by 2020. By the end of 2015 the number will be around 45. These are big numbers, but if anyone can build a large-scale business in a competitive market, it's Vernon Hill II. He is modest about his UK success, though: "We were lucky to catch the wave. We had the right model at the right time." It might also have something to do with the dogs... ■

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