

SPYING ON COMPETITORS

by [Steve Brown](#)

Let's face it - banks compete with each other, credit unions, insurance companies, conduits, brokers and many other financial service providers. As such, many have considered or already completed competitor profiles. For banks proceeding down this path, the first issue that will be faced is why the profile is needed. Many times, bankers will build profiles and stuff them into drawers in the back of the office. These profiles are usually never looked at again because bankers are building them for reference only, with no real purpose in mind. If you are going to take the time to build the profile, think about how you are going to use it. Will it be used to target customers, market share, better understand strengths and weaknesses, or investigate an opportunity to acquire? By considering in advance how the information will be used, bankers can determine how much (or little) will be required. To start the process, build a list of who you think your competitors are. Focus on which products or services compete with yours, how they are different and what new markets or products top competitors may be pursuing. Banks will also need to prepare an internal profile of their own company. For this piece, consider which organizational capabilities are critical to the success of the bank, conduct a SWOT analysis and research developing market or industry trends. Banks that aren't entirely sure who their competitors are, should conduct an audit of outgoing wires to see where they went, ask lenders to inquire when loans are missed where they went, talk to customers directly, inquire about which companies are sending them information and what products or services are being featured. Independent banks that did this in the past 6 months would have noticed that large banks significantly ramped up collateral, advertising and contact with small business customers. Now that we have discussed where to go to begin collecting the information, it is important to know what information to collect. In short, banks should collect any data needed to identify, classify, track, and compare competitors with their own organization. Once the data is collected, effort should be expended to examine points of strength and weakness. Depending on each bank's competitive situation, some data points worth collecting (along with business card info) include: subsidiaries, office locations, web site, corporate structure, ownership, history, business philosophy, size, market presence, reputation, primary community contacts, recognized brand name, annual growth rate, product lines, features / mix, perceived quality of products / services, perceived quality of customer support, anticipated new products / services, staffing, skill level, technology, strategic alliances, economies of scale, overall strategy, number of customers, number of employees, recruitment / training process, compensation structure, sales process, sales productivity, average size of client, customer patronage of competing banks, target markets, expansion plans, marketing process, pricing structure, key decision makers, board members, financial data, non interest income / net income sources, cost structure and any shift in financial position. While the list is long and some data points will not apply to some banks, we wanted to make sure most considerations were captured to help speed the process. Once collected and analyzed, these points should help bankers keep a watchful eye on competitors and spot trends before they become threats.

BANK NEWS

Acquisition

AmericanWest Bank (\$1.4B, WA) will acquire Far West Bancorp (\$405mm, UT) for \$150mm, or about 2.8x book.

3Q FTN

First Horizon Nat'l's 3Q performance was mixed as they reported a 41% drop in profitability, largely hurt by slower mortgage production and weakening credit quality. The bright spot was their successful increase in commercial loans to the middle market and small business customer, as profitability increased more than 20% and volume increased some 17%.

Bies on ILCs

Our favorite Fed Governor Susan Bies came out yesterday to promote her preference (but not the opinion of the Fed) to not allow commercial entities to own bank charters implying it would increase deposit costs for the industry and create the potential for conflicts of interest.

Deposits

The largest banks in the country, ranked by deposits are: (1) Bank of America; (2) JP Morgan Chase; (3) Wells Fargo; (4) Wachovia; (5) Citigroup.

Customers

A survey of baby boomers finds only 57% perceive their bank is capable of providing high quality advice.

Healthcare

A study finds employees in general pay 27% of the total healthcare premium, 7.7% more than last year.

Customer Acquisition

At a recent seminar, the CEO of WAMU said their new online banking service had generated 700 new accounts.

Dour

The CEO Confidence Measure dropped to 44 in Sept., or the first time it has been below 50 since later 2001.

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