

## TREES, BRANCH DESIGN & SIGNAGE

by [Steve Brown](#)

Given that the holiday season is just around the corner, we started thinking about certain traditions. We question the tradition of cutting down a perfectly good tree, dragging it inside and then complaining about pine needles on the floor. Of course, this tradition makes more sense when you consider that the practice started in Germany around the same time that beer was invented. The other tradition that has recently come into question in our office is the need to make all branches look the same. There is a long-held belief, taught at bank marketing schools, that branch layout, colors and construction should have the same "look and feel." In order to test our traditional belief, we convened a focus group of 25 independent bank customers, both business and retail, and asked them how important branch consistency was. While approximately 25% of the customers we talked to said layout consistency was "very important" to them, few (10%) said it would make a difference in choosing a bank, products or services. The remaining 75% of the customers we interviewed said that having the same color scheme, layout and signage did not matter. Our survey participants wanted to make sure we told our client banks that there are bigger issues to worry about before banks redecorate. For starters, customer service matters much more, as 80% of the respondents said that this was the largest driver in product consideration. Interestingly, only 40% of the group members said their bank delivers "superior customer service." This is only noteworthy when you consider that if you ask the typical banker, "customer service" is the number one reason cited as to why people do business with their bank -clearly a disconnect. One common complaint all 25 members of the focus group agreed on is that banks can do a better job at signage and the clarity thereof. While signage denoting new accounts and loans are helpful, what really baffled the focus group is why a banker attempting to sell a product would advertise "Indexed CDs", "ACH Gateway" or "HELOCs." Many members of the survey group actually utilizing these products still had no idea what they were. Their message to banks - drop the jargon. As long as marketing was clear, most in the group were not opposed to more advertising in the branch. About a 3rd of the group commented that their bank did not advertise enough, either in the branch or via e-mail or mail. Three of the branches we visited had nothing displayed in their window at all. While we are not big fans of clutter, we are also not fans of the underutilization of resources. Banks pay a premium for branch real estate, so they should tout profitable products - such as a checking/MMDA bundle or long-term commercial financing. Perhaps the worst move of all, that we found at one bank, was an advertisement for a long-term CD special at 6.00% prominently displayed in their window. When we questioned the branch manager, he proudly told us that they raised \$6mm dollars last week because of that sign! We wondered whether the board knew this bank used their expensive real estate to promote a product guaranteed to destroy value. While we are believers that banks should have at least some branch consistency in design and brand, our customer focus group proved that in the grand scheme of things, banks have other issues to solve.

### BANK NEWS

#### **New Technology**

BofA will roll out its beta test of mobile phones with embedded contactless payment chips to 5k employees and will monitor usage over the next 6 months. At present, there are over 35k contactless terminals in the US (including McDonalds and Jack in the Box). While BofA is still in the testing mode,

Citi and JP Morgan Chase have already rolled their products out. If your independent bank is also testing this product, drop us a line.

### **Busted**

47 banks with suspicious HMDA underwriting are being investigated by the FDIC. It is reported that 5 of the first 9 banks being investigated are likely to be charged with discriminatory practices.

### **Proud**

recent Informa study concludes that customer satisfaction and loyalty at the country's top 20 banks lags independent banks. That said, Wamu, SunTrust and Wachovia had the highest large bank satisfaction, while Citizen's, BofA and Wachovia had the best branch service.

### **Going OTS**

Countrywide Bank (\$89B, CA) threw up its hands and said it will convert its current OCC charter to a federal thrift next year, making it the 4th largest thrift. The stated reason for the switch is to reduce costs, however, it is speculated that another reason could be that the OTS is more understanding on "alternative mortgage" products.

### **Shell Game**

FINCEN has issued new guidance for banks lending to or sending payments to shell or special purpose companies/vehicles ("SPVs"). Based on data collected from SARs, banks need to make sure they understand the reason for the financing vehicle and the legal standing and domicile of each of the principals. Owners of SPVs that are based offshore, or that are owned by other SPVs or LLCs, require further investigation.

### **Housing**

D.R. Horton (the largest U.S. homebuilder), reported 4Q earnings fell 51% compared to the same period last year. Earnings were negatively impacted, as 25% more customers canceled orders for new homes. Meanwhile, Toll Brothers also announced signed contracts dropped 55%.

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