

## AN INDEPENDENT BANK TWIST ON MARKETING

by [Steve Brown](#)

Studies show the banking industry will spend close to \$11B on marketing this year alone. Driven by extreme competition in loans and heavy runoff in customer deposits, independent banks have increased marketing budgets by nearly 62% over last year. As strong competition continues, projections for 2007 show banks will ramp up spending even more. As such, it is more important than ever to use promotional dollars judiciously. For those banks feeling pretty confident about their marketing, consider the findings of a recent IBM Consulting Group analysis of thousands of banking customers. In it, people were asked whether they would recommend their current bank to a friend. Interestingly, 39% said they really didn't care if they did or not, while another 37% said they were adamantly opposed. The study also found that 26% of customers think their bank does a poor job of listening to their needs and showing appreciation for their business. Clearly there is always room for improvement. Since financial institutions spend a total of about \$15,900 to acquire each new business customer, monitoring marketing expenditures and effectiveness (as a component of overall cost) is extremely important. Note that about 8% of total acquisition cost is spent on direct marketing, or about \$1,275 per new customer. Overall, banks spend an average of about 0.2% of assets on marketing, or about \$200k per year for a \$100mm asset institution. For banks looking to reduce marketing expenditures, one effective method may be to start a "friend-to-friend" marketing program. This grass roots effort is designed to break down "us" and "them" barriers between employee and customer. The success of this company-wide approach finds ways to better integrate employees into the community in order to be more effective. In particular, the approach asks such question as: 1) Are customers being treated as employees would treat their friends? 2) Do employees get beyond warm welcomes and small talk with customers in order to deepen the relationship? 3) Do employees consistently ask questions to learn what customers know about the bank and its products and better understand what they might need? 4) Do employees give customers the same personalized attention they would give their own friends? 5) Are employees supportive of each other in these efforts? Building mutual trust and delivering results is the key to success. This program helps build rapport and serves as a catalyst for repeat business, positive word-of-mouth and better customer cross-selling (to increase lifetime customer value). As customer loyalty increases, employees' jobs often become easier and more rewarding. This enhances employee satisfaction, which, in turn, further enhances customer satisfaction and reduces employee turnover. With all the money being spent on marketing, isn't it nice to find out that with a little training, a program of good old fashioned listening remains one of the most effective customer acquisition methods?

### BANK NEWS

#### **M&A**

TD Bank Financial Group said it will pay \$3.2B to buy the 43% it does not already own in TD Banknorth. The offer is interesting, as the bank also announced plans to close or consolidate some of its more than 600 branches, given the fact that greater competition is negatively impacting profits.

#### **M&A**

Stifel Financial Corp said it will buy the holding company for FirstService Bank (\$129mm, MO) for \$38mm in cash, or about 2.0x book.

### **5th 3rd**

The bank will look to shrink in order to boost profitability, as it sells \$11.5B in securities and pays down debt. While the result will be a \$500mm hit to 4Q earnings, the bank expects to increase future earnings by over \$100mm on a pre-tax, annualized basis.

### **Pension Accounting**

New 4Q accounting rules (FAS 158) that will cause unfunded pension liabilities to be deducted from comprehensive income will suck Tier 1 capital away from several large banks. Citigroup, JP Morgan Chase, BofA and Comerica will all have a 2% to 10% reduction in capital, while many other banks are still evaluating the impact.

### **Customers**

A new JD Power & Associates survey of small business owners finds more than 50% report processing and transaction problems with their bank. Interestingly, the survey also found 18% consider the teller to be their primary contact at the bank, while only 7% said it is the loan officer.

### **ID Theft**

Harleysville National Bank (\$3.2B, PA) introduced its new identity-theft protection program, IDSafeChoice. In a new twist, the program will provide clients with a "personal recovery advocate" that will manage the recovery process for up to 12 months during identity restoration.

### **Competition**

Comerica Bank said it will open 6 new branches in AZ and 24 in the state over the next few years, as the bank continues to expand aggressively. As part of its overall push, the bank increased its marketing budget by 10 times.

### **IT Spending**

A survey of community banks finds 54% increased technology budgets this year, 84% now allow customers to view imaged checks online and 24% are using email to deliver statements (up from 16% last year).

*Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.*