JAN-KEN-PON AND BANK MARKETING

by Steve Brown

One of our favorite banking decision making tools is the kid's game of rock-paper-scissors. While the strategy is largely a guessing game, wily players know that rock is thrown more than paper and paper is thrown more than scissors. The reason is the amount of motor coordination (granted it is not much) that is needed for each, with rock being the least and scissors being the most. The game is a fitting analogy when it comes to bank marketing. The best branding strategy usually depends on what the competition is doing. More to the point, the strategy that the competition uses is usually the easiest to rollout. Banks that use: "Where you are number one," "Personal service and commitment," or, "We go that extra mile," are a dime a dozen. In defense, financial institutions are burdened by their fiduciary duty, so no one wants to be too far out on a differentiated limb. Marketing can only go so far. This fact is underscored by a recent study that asked "What are the top 20 brands that influence your life?" Banks, despite the financial importance of protecting savings, providing cash and mortgages, ranked a pathetic 16th; beaten by shoes, food, appliances, software and apparel, which dominated top spots. Another survey found that consumers rarely recommend their banks to friends; but often recommend hair stylists, mechanics, doctors and lawyers. Like covering rock with paper, if there is a strong bank brand in the area, the best strategy has been to emphasize a completely different aspect of a product or service. Outside of banking, Pepsi (vs. Coke), Lowe's (vs. Home Depot) and Target (vs. Wal-mart) have done this best; while brands that have gone head-to-head have failed miserably, such as Burger King (McDonalds) and K-mart (Wal-mart). A recent Mid-west market we visited, had two community banks squaring off. The older, more mature bank emphasized "We are always there for you," while the de novo bank smartly chose "Helping you outsmart the competition." The de novo emphasized speed, flexibility and intelligence, helping them gain a 15% market share in 3-years. While finding and defining a brand is never easy and requires more resources than most CEOs have the stomach for, building successful brand equity adds value, which translates into more lending opportunities and cheaper deposits over time. If your bank's brand is not the leading one in your market and if your brand is not the opposite of the leader, then your brand is headed for trouble - like rock on scissors.

BANK NEWS

MBA Index

Mortgage applications fell 14.2%, the lowest level since August. Refis dropped 18%, while new applications slumped 10.6%.

Mortgage Advertising

The Colorado Attorney General has subpoenaed the local papers for all mortgage advertisements (including some from banks) over the last year in order to check for misleading claims and bait-and-switch ploys.

Holiday Spending

The Redbook index of holiday spending reported that sales were up 2.7% for the month-to-date for Dec. versus the same time last year. Most retailers are reporting that sales will come in "just above budget."

Home Price

According to the S&P/Case-Shiller index, Seattle and Portland had the highest home appreciation for 2006, at an average growth rate of 13.72%. Detroit and Boston preformed the worst dropping 3.5%.

Marketing

Banks wondering how to capture younger clients should note that 25% of adults below age 35 now prefer to get their news over the internet.

Online Banking

A study conducted by Bank of America and Forrester finds that online customers become about 31% more profitable than offline customers at approximately the 30 month mark. Online customers also maintained balances 257% higher than offline customers.

FHLB

The Federal Housing Finance Board dropped its minimum retained earnings proposal for FHLBs. The oversight board will now go to work on a new set of risk-based capital rules that will guide retained earnings, risk and capital

Jobs

Perhaps banks need to loosen up when looking for candidates to fill job openings. A new study finds 84% of executives will remove a candidate from consideration if they find 2 typographical errors in a resume, while 47% will do so if they find only 1.