

A DISTINGUISHING FEATURE

by [Steve Brown](#)

When it comes to food, dogs are not all that discerning. You could put the same dry kibble in front of a dog 2 times per day for 10Ys straight and each time they will look at you with big brown eyes and lick the hand that feeds him. We have seen some of our co-workers do the same thing with pizza, but we digress. As customers walk around their daily lives, they tend get excited about the same things unless somebody presents something new. Business travelers, for instance, were always happy just to get to bed, but it was the Westin hotel chain that came up with the concept of the "Heavenly Bed." All it took was a little extra thread count on the sheets, a washable comforter and some suburb marketing. Suddenly, business travelers were not only wanting to book extra hotel nights, but were talking about the Heavenly Bed to friends and associates. Customer satisfaction scores shot up by 9% and the hotel garnered a 13% increase in ratings over "cleanliness." Expanding on their success, Westin took the market segmentation strategy two steps further and came up with the Heavenly Bath as well as a catalogue that allows customers to buy the whole line for the home. According to Westin, 3 Heavenly beds are purchased each day and sales for the department now exceed \$10mm per year. This marketing move resulted in increased stays, a new line of product sales, higher retention and increased branding. On average, pricing increased \$10 to \$20 per night as a result of the marketing campaign. Banks should take a page out of Westin's playbook and ask themselves, what is it in their organization that can be marketed as a differentiating factor? Quick loan approvals, extended hours, branch coverage and personalized service are all attributes that some banks have chosen to name and build a marketing campaign around. Take a simple thing that you do well and exploit it to a marketing advantage. In similar fashion, maybe it is knowledge of a particular industry such as dry cleaners, temporary help agencies or doctor's groups that a bank can build marketable expertise around. Whatever it is, make it a memorable point in order to promote your bank without using rate as a tool. Banks that do, may find that not only does marketing pay, but it may have customers wagging their tails like dogs to kibble.

MORE M&A

We have seen a dramatic increase in the number of small banks (sub \$300mm) that are less than 5-years old whose directors are throwing up their hands and want to push a "merger of equals" or outright sale. A flat yield curve, greater competition, a higher regulatory burden, succession problems and a lack of management traction are often cited as the chief reasons for sale. While there are no official numbers, we now hear more reports than ever. Cardinal State Bank (\$133mm, NC) is the latest bank that fits the profile that is now looking for a suitor.

BANK NEWS

M&A

The holding company for Bradford Nat'l Bank of Greenville (\$188mm, IL) will purchase Patapsco Bancshares (\$246mm, MD) for \$42.9mm in cash and stock, or 2 times book.

CRA

The OTS issued its final CRA rules which will finally bring thrifts more in-line with what banks currently face when it comes to CRA loan, investment and service requirements.

Race and Lending

The Fed has once again dismissed a motion to allow banks to collect race and gender information in their lending practices. While consumer groups argue collecting the data is the only way to understand discriminatory lending, the Fed has taken the position that the mere inclusion of the information in credit files will lead to greater discrimination. Congress is expected to take a look at the issue over the next year for a possible legislative solution.

Big Bucks

BofA's chairman, Ken Lewis, had his compensation increased by 16% in 2006. Mr. Lewis received a base salary of \$1.5mm, a bonus of \$6.5mm and a gaggle of options, awards, deferred comp. and benefits to total \$91.6mm.

Competition

5th 3rd Bank announced that it will open 40 new branches across southeastern Michigan over the next 3 years

Housing

The worst housing decline in the last 16 years will soon be worsening. Up to 1.5mm Americans could lose their homes, 100K workers in housing related industries might be laid off and 100 more subprime lenders may go under.

Barred

Branch manager of Terrabank (\$304mm,FL), Laudelina Martinez, was personally fined \$10k and barred from banking by the OCC for "breaches in fiduciary duty."

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.