

KNOWING WHO YOU ARE

by [Steve Brown](#)

Celebrities run into problems because they either never had a chance to figure out who they are or forgot somewhere along the way. While your bank may not act like Brittany Spears after 2am or possess the insensitivity of Alec Baldwin, many banks continue to struggle with their definition of self when it comes to marketing to deposit customers. There are deposit customers that are price sensitive and there are customers that are service sensitive. While it is true that you can convert some customers from price to service, it is equally true that some customers will never change. If you look back at 2006, banks that targeted price sensitive depositors were more successful at raising funds than banks targeting service. Of the 9% deposit growth for 2006, we estimate more than 70% of this volume came as a result of banks increasing their rate as a spread to Libor instead of spending more on service. Witness the recent growth of the internet-only banks and the proliferation of CD and MMDA specials and bankers can easily see how this trend manifests itself. Add to that the 4.50% checking specials (with free ATM access) and banks have a problem. The question is, what are you going to do about it? The answer to that question, first and foremost, depends on who you are. If you want to compete on rate, then to be successful in the long run, your credit underwriting has to be better than most and your efficiency ratio must be near the age of Gwen Stefani (38). However, if you pride yourself on service, but then offer rate promotion after rate promotion, you might end up as unhappy as Lindsay Lohan. Often banks start out as service focused, but as loan growth increases, they are forced into a life of rate. Banks that set asset growth based on deposits (instead of letting loan growth drive deposit growth) will have a much easier time remaining consistent in personality. If you are a service oriented bank and want to remain true to your self, then be prepared for some hard work. The first step is to use brokered CDs (or FHLB advances) to protect your core funding sources in order to buy 12 to 18 months of time. During this period, the bank has to get to work about replacing those wholesale funds with less expensive core deposits. This means having the proper products, segmenting the customer base, developing bundled products that increase your bank's share of the customer's wallet and it means marketing the bank like the publicity agent for Drew Barrymore. Going after those customers that value service, instead of rate, is a whole lot easier in the long run than finding rate sensitive customers and then trying to convert them to service customers. The money spent on marketing and higher interest costs can be re-channeled into developing cash management products for their corporate customers. Corporate cash is the core value point for many banks and the rush is on for banks to provide key tools and products for corporations to more easily manage cash balances. This means electronic lockboxes, investment accounts, billpay, sweep utilities and online "dash boards" to consolidate, view and manage cash balances. If you would like more help and information about what other banks are doing in this area, be sure to attend our upcoming High Performance Workshop in New Orleans on June 7th (e-mail for a brochure). While your bank may not be on the verge of shaving its proverbial head or getting a rash of tattoos, understanding what your bank's strengths are and then making sure marketing efforts are aligned, may prevent your bank from having to go onto The View to explain why it posted a 6% money market rate out of frustration.

BANK NEWS

Bank of Ripe for a takeover

Rumors of takeovers and mergers are sweeping across the European landscape. Societe Generale, France's 2nd largest bank, is rumored to be in talks with Italy's Unicredit and Citi Group could be looking to take over Germany's Deutsche Bank. Farthest along in the process is the bidding war over ABN Amro so far between Barclays and a 3 bank consortium led by Royal Bank of Scotland. European banks are viewing the European economic integration caused by the strengthening of the EU to increase competition started by globalization.

No Fee Mortgages

Bank of America has been testing no fee mortgages in Washington State and has deemed them so successful that the bank will start offering them in 8 more states. The product saves consumers an average of \$3,350 in mortgage fee.

Working conditions

A recent study by Harris Interactive found that less stress, shorter hours, and a flexible schedule can lead to better employee ethics. More than half of the respondents said that a flexible schedule was a paramount factor in job satisfaction. Only 10% of respondents said that strict rules were a motivator for good behavior.

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.