

A BRAND PLAN

by [Steve Brown](#)

Here at BIG/PCBB we often discuss how to enhance our "brand." A brand is a bank's identity and encompasses any "touch" with the public. This includes the aspects of name, logo, color, advertising, branch look/feel, e-mail format, events, customer service, customer experience, associations, history and many other elements. A good brand will have an emotional appeal that can translate into a pricing premium and ultimately greater net income. Bank of America, Wells Fargo and Citigroup all have brand management worthy of emulation. These companies are examples of how first-class brands are not created haphazardly and are the result of a well thought out plan. If done correctly, a brand can be the largest single asset an independent financial institution has. Look at bank book multiples for recent purchases and you get a sense for the relative value of a brand asset. Premiums of 2.5 to 3.5 times book value come as a result of a bank being able to command extraordinary value above the sum of its assets. This intangible is worth more than any fixed asset or loan on a bank's balance sheet, yet is rarely afforded the same respect. Like a well-maintained building, a brand is an asset that needs maintenance and protection. It is interesting to note that a bank's brand also has the longest terminal value of any other asset on a balance sheet. While loans mature and buildings depreciate, a bank's brand appreciates with age and infinitely extends to the future (as a going concern value). Because of this value, top performing banks have a "Brand Plan" that includes the statement of vision, marketing elements (logo, stationery, etc.), marketing plan, legal protections and promotion of the brand. Because branding applies to the entire organization, everybody is responsible for reputational management. In order to get the most out of a brand, employees need to understand it, live it and know how to "sell" the image of the institution. It is important to define expectations of how to promote the brand in public, when meeting customers and how to use the institution's resources to achieve maximum effectiveness. Branding only succeeds if the message is consistent, coherent, focused and delivered in the right manner. To accomplish this, brand management starts with a plan and is fueled by tireless promotion. While some would say brand management is too "touchy feely" to spend time on, consider a recent valuation of the Coca-Cola brand. In January, it was estimated that the brand accounts for almost 90% of the firm's market value. If banks can achieve even a fraction of that, better pricing and margins will follow.

HIGH PERFORMANCE WORKSHOP

Are you looking for guidance on new product development and funding strategies? Come to our next Workshop on June 7th in New Orleans where we will be focusing on liability pricing, product bundling and customer segmentation. Don't miss some great competitive data on how other banks bundle and price their deposit tiers and how they combine checking, MMDA accounts and other services to increase profitability, boost retention and generate referrals. For more information, e-mail for a brochure and sign up quick, as we are down to 2 spots.

BANK NEWS

M&A

The HC of National Bank of Delaware County (\$160mm, NY) will acquire the HC of National Bank of Stamford (\$83mm, NY) for \$27.1mm, or about 1.9x book.

Softer Construction

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Softer Housing

A new report from the National Association of Realtors indicates housing prices fell for the 3rd straight quarter. Prices have fallen 6.5% on average from their peak reached in 2006. Meanwhile, foreclosures of mortgages rose 62% in April. The cancellation rate on new home purchases is currently 19%.

Outsourcing

A new study by Deloitte & Touche finds more and more lenders (including 40 of the largest banks) are offshoring operations in an effort to cut costs and increase efficiency. The study found that lenders could lower operations and other costs by as much as 40%.

Credit Card Growth

According to Visa, transactions on its debit and pre paid cards grew 17% over the past year. These cards now account for 67% of all Visa transactions.

Commercial Real Estate

Over the past 4Ys, CRE lending at banks has climbed 44%, while loans for construction and development have increased 130%. In 2006, construction and development charge-offs increased 455% over 2005.

Spring Cleaning Promotions

Several of our clients are reporting success with "Spring Cleaning" product promotions under the theme that now is a good time to consolidate finances, utilize online banking services to save time, invest longer term funds in CDs, start saving for college/healthcare /vacations and move to a more appropriate checking account. Everyone it seems like to get organized this time of year.

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