

THE POLARIZATION SALES TACTIC

by [Steve Brown](#)

The University of Michigan recently conducted a study that was published in the Journal of Consumer Research. We point this out as it has interesting implications for bank deposit marketing. In this study, an artificial putting green was installed in a golf store and shoppers were offered a chance to putt into a hole approximately 3 feet away. When golfers sank a putt, they overestimated their golfing ability and more often than naught, bought costly balls marketed and designed for a pro. These "high-spin" golf balls carried wider margins and, in reality, offered little or no benefit to the average golfer (since most never hit their shots well enough to take advantage of the higher spin characteristic). Ironically, golfers that missed the offered putt underestimated their ability and were more likely to purchase additional equipment. Objectively, asking shoppers to sink 1 short putt is really not a referendum of the shopper's golf ability. However, the activity of putting was used to "frame" or define the type of person that the shopper was, in order to help them make a purchase decision. In short, the outcome of a single putt helped polarize the shopper into one category or another and provided a focal point for the sales staff to discuss and sell around. No matter what the outcome of the putt, sales increased as a result of the strategy. Several banks take advantage of this polarization technique when they ask, "What type of investor are you?" From that answer, either through the sales process or in marketing materials, the bank helps group respondents into "Aggressive," "Moderate Risk Takers," "Stable Performer," or "Liquidity Focused." When the respondent categorizes themselves, the bank can now have a basis for suggesting a set of solutions - such as indexed CDs for the Aggressive types or money market accounts for the Liquidity Focused group. Other banks have used similar questions, surveys or assessments, in order to recommend the best checking account or set of bundled products. While there are many variations on this theme, this polarization sales tactic is effective in helping bank customers better understand themselves and in leading them to an efficient sales decision. In our testing, we have seen this technique not only result in more sales, but also faster ones - which is an additional benefit not tested by the study. Regardless, if you don't already do so, try testing this technique to see if you can't sink more of your sales putts. If you can, you probably also need a set of those new Nike Sumo2 drivers.

BANK NEWS

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IBT Bancorp (\$902mm, MI) will buy the HC of Greenville Community Bank (\$107mm, MI) for approximately \$34mm, or 3.1x book.

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Home Bancshares (\$2.2B, AR) will buy the HC of Centennial Bank (\$199mm, AR) for about \$25.6mm, or roughly 1.4x book.

Significant Inflation

First BanCorp (\$17.5B, PR) received a \$94.8mm injection of funds from Scotiabank in a private placement transaction. Scotia will own 10% of First BanCorp's outstanding common stock at the close of the transaction.

Overdue RE Loans Jump

The FDIC reported that the amount of troubled real estate loans rose to \$66.9B at the end of Q2, the 5th consecutive quarterly increase. Noncurrent RE loans rose 36% from a year ago and noncurrent home mortgage loans increased 47% from a year ago.

Bank Fees

A new survey found that competition among banks and customized product offerings are reducing fees for bank customers. 65% of consumers said they pay \$3 or less in monthly fees for services such as ATM access or checking account maintenance, while 52% of consumers said they paid no monthly fees at all (a 9% increase from 2006). 13% of those surveyed said they pay more than \$10 in monthly fees.

Insider Buying

Stock purchases made by executives at banks and insurance companies jumped to the highest level in 12Ys in August, signaling insiders believe their companies remain strong despite recent negativity.

Layoffs

SunTrust said it would eliminate 2,400 jobs by the end of next year as it seeks to cut \$530mm in annual costs. Meanwhile, Countrywide also began laying off employees in an effort to survive, saying 500 jobs nationwide would be eliminated.

Delinquencies

Late payments on credit cards rose in July to 4.64% from 4.18% a year ago, a sign that the credit crunch may be affecting consumers in areas other than housing.

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