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## A DISTINGUISHING FEATURE

by [Steve Brown](#)

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When it comes to food, dogs are not all that discerning. You could put the same dry kibble in front of a dog 2x 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 in their daily lives, they tend to get excited about the same things - unless somebody presents something new. Business travelers, for instance, were always happy just to get to bed. 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 superb 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 in "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 chase the bone thrown by Westin and ask "What is it in their organization that can be marketed and branded as a differentiating factor?" The "10 Hour Loan Approval," the "Yes, We Can" campaign and the "Here For You" extended branch hours are all examples of how community banks can take a mundane point and successfully build a product or service attribute that can be leveraged into sales. 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. One bank we know basically restructured their bank into 6 different "sub-banks," each with a certain marketing direction and customer segmentation focus. While they all have the same products and services, each set of "solution packages" was rebranded to focus on a particular industry like labor unions, trade associations, woman-owned business and the like. They chose a profitable set of products and went after profitable customer segments in a way that added value to the customer. If you were a technology company, would you rather bank with a bank that already understands your business, development times, intellectual property values, etc. or would you rather spend time teaching your banker about it. While many banks have such expertise, few exploit it to the point of creating a separate identity.

Whatever your distinguishing feature, make it memorable in order to promote your bank without using rate. Banks that do, may find that not only does marketing pay, but it may have customers wagging their tails like dogs to kibble.

# BANK NEWS

## **Bonuses**

As a sign of our times, once you were proud to get a bonus, now you are almost embarrassed. The House passed a measure that would levy a 90% surtax on bonuses granted to employees that earn more than \$250k at companies that receive more than \$5B in Gov't support (8 banks are affected plus FNMA and FHLMC). While the legislation doesn't directly impact community banks, the sentiment (and possible future Gov't moves down-market) will.

## **FDIC Sale**

The FDIC has completed the sale of IndyMac Federal Bank to OneWest Bank FSB (CA), a subsidiary of IMB HoldCo. IMB is a 7 member group of private equity and hedge fund firms that injected \$1.3B in cash to recapitalize the \$23.5B IndyMac.

## **M&A**

Proposed bank-holding company, Hantz Holdings, has agreed to purchase Davison State Bank (\$45mm, MI) from Fentura Financial Inc (\$628mm, MI) for an undisclosed sum. In 2008 Fentura Financial lost \$12.2mm.

## **Debit Cards**

The House is considering an overdraft bill banning auto-enrollment in overdraft protection plans, limiting fees and requiring banks to notify consumers when transactions may cause overdrafts.

## **Credit Cards**

Also on the table is a bill permitting consumers to have some control over credit limits, barring banks from unilateral modifications of agreements and only allowing interest rate increases in the event of missed payments.

## **Deposit Gathering**

Studies show customers that use online bill pay leave more than 2x higher deposit balances than those customers who don't.

## **Deposit Growth**

Analysis finds direct banking deposits in the US have soared to over \$225B as of 2008 for an annualized 4Y growth rate of about 45%. This compares to annualized growth of about 4% for standard retail branch deposits over the same period.

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