

GLEE BANKING

by [Steve Brown](#)

We admit we are "Gleeks" - that would be a fan of the hit television show Glee. It's no The Wire, but that show is no longer an option. Glee is about a bunch of musically-inclined, narcissistic high schoolers that are so shallow, their commentary is pretty deep. Whip-smart comments from the track-suit-wearing, hardcore, cheerleading coach (our favorite character); such as "How do you guys not have

a show on Bravo?" are interspersed with soaring musical numbers. The show works because it takes our media-driven feelings and turns them inside out to expose biting social commentary. The shallow/deep antithesis runs throughout the show, as can be seen when the female lead is having boy problems and is advised to seek adult counsel. The female student remarks, "This is a private matter, so I don't feel comfortable talking to my Rabbi. For true understanding I turn to MySpace."

In similar fashion, banks can harness this sentiment by building it into their products. Take the famous "ownership taste." The "ownership taste" gives a customer some value and then makes them say "No" if they don't want it. What seems like a shallow sales tactic really goes to the core of behavioral economics. It plays on our valuation that the pleasure we derive from the gain of the feature is less intense than the pain from the equivalent loss. In other words, when bank customers are "given" something, it becomes more valuable than if they would have selected the feature themselves.

For example, one bank did an experiment when it wanted to close down 4 branches. Six months ahead of time, they made an offer to their high value retail customers of the branches slated to be closed to get them to use another branch. For one set of branches, their offer was that they would give \$25 if the customer switched to the next nearest branch. For the other set, the offer was changed slightly so that the customer was told "We already have \$25 waiting for you in a new account." Sure enough, the later default offer garnered 32% more positive response.

The most common use of the ownership taste is the free trial period concept where a bank rolls out a new product, such as credit report monitoring, and then automatically gives it to a select group of customers for 3 months. The sales pitch is sent out asking the customer if they want to discontinue this valuable service. Another use is to use the ownership taste as a retention device. When balances drop or other services are canceled, value is offered. An example is reward points, which are automatically given with a sales pitch of "We have already credited your account with 1,000 points - how would you like to use those?"

The ownership taste works best when decision-makers don't want to take the time to understand a complicated product or other choices. It also should be noted that the ownership taste must be reasonable and considered a good choice for the majority of customers. If not, the sales move will come across as a shallow tactic and ultimately backfire by bleeding away trust.

The ownership taste is deeper than it seems and is worth exploring as yet another tool to help increase sales. As Sue, the Glee cheerleading coach, would say, "You should smell your armpits because that is the smell of failure and failure is not about wining. Wining gets you on TV which defines who you are."

2010 EXECUTIVE MANAGEMENT CONFERENCE

We look forward to seeing bankers this weekend as we kick off our Executive Management Conference here in S.F. We will start on Sun with a simulation of FDIC-assisted transactions, followed by a series of presentations, panels and workshops that will highlight the changing face of banking and profitability. If you could not come this year for whatever reason, be sure to put it on your calendar for 2011.

BANK NEWS

Goldman

Federal prosecutors are reportedly looking into whether to charge Goldman Sachs or any of its employees with criminal securities fraud, according to the WSJ.

Snail Mail

A recent survey on payments finds that customers who opt for paperless statements and bill pay are 10% happier with their bank/CU than those who receive mailed statements. The largest reasons cited for switching to online banking are: convenience/ easy access (62%), less clutter (50%) and less waste (49%). Of those who have not switched, 22% noted the sign up process is too complex.

Brancy M&A

Integra Bank (\$3B, IN) will sell 4 branches, \$73mm in deposits (for an approx. 3.4% premium) and \$67mm in loans to Citizens Deposit Bank (\$123mm, KY). In a separate deal, Integra will sell an additional \$15mm in commercial loans. Integra is also selling 3 other branches to FNB Bank (\$191mm, KY), including \$125mm in deposits for a 5.3% premium.

Shareholder's Meeting

Berkshire Hathaway, the capitalist's Woodstock, will take place this weekend with many watching what Uncle Warren say about his beloved Goldman Sachs.

Get No Satisfaction

According to JD Power's Annual Retail Banking Study, contentment levels of bank customers have plateaued over the last year, with overall loyalty to, and opinions of, the banking industry continuing a 3Y decline.

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