SUPER BOWL DELUSIONS

by Steve Brown

We are going to be watching Super Bowl 45 for a variety of reasons - the classic match up, the half-time show, the commercials and to feel like men. You can't help feel like a man when watching the Super Bowl even if you are woman. Bearded quarterbacks driving their teams down the field under intense pressure are followed by beer and truck commercials. At the end of the show, we feel like manly men, with bulging muscles ready to leave our man-cave and drive large payloads to work after a hard night out drinking. The reality is that on Monday we will be getting into our watered-down sedans, hauling nothing more than a turkey sandwich to a cushy office job because, let's face it, we are bankers.

The difference between how we think of ourselves and reality also occurs with bank customers. The distinction is important to keep in mind when handling product design and setting strategy. While we are big fans of asking the customer what they want, the reality is that oftentimes customer's either don't know or will unknowingly tell you something that isn't true. The classic example is the assumption that customers make rational, logical decisions. This is easy to understand, as this is how many people picture themselves. People like to think they always carefully weigh product attributes, costs and benefits before making a decision. The reality is that in many cases, while 90% of the time customers may give a nice logical reason for why they intelligently chose a product or bank, they don't do that. Most people make decisions based on emotional or non-quantifiable things. Maybe they like the name of the checking account, maybe they just want to make a decision or maybe your salespeople just caught the customer at the right time. Our point here is to remember there is a huge emotional factor to sales that should not be overlooked when designing campaigns or strategies.

Similar delusions pop up when the customer is asked whether they will try a new product or switch banks if such and such happens. This occurred recently when we took a poll on whether people would break CDs if rates began to rise. About 83% of those asked said they would call their bank to break their CD and pay a penalty if rates go up 2%. It was easy to make that logical decision to earn greater interest, when transaction costs were zero. We know the reality is nothing close, as consumers have tremendous respect for the status quo.

Finally, we love the use of the Net Promoter score as a measure of customer satisfaction. The score asks a simple question on the willingness of a customer to refer another customer. High Net Promoter scores have been shown to be a clear sign of satisfaction. However, we have yet to meet a bank that actually experiences the amount of referrals that their Net Promoter score portends. If you are going to use the score (or any others), be realistic about how many referrals will actually roll in to avoid fumbling the ball on the 50 yard line.

Don't get us wrong, we are big fans of asking customers what they think, however, we just know that they are only part of the equation. If you had asked consumers whether they needed iPads, Facebook or remote deposit capture, most probably would have said "no." Marketing and new product development is not for the meek, as at some point you have to believe in the product or services you would like to roll out and give them a try. Banks need to be bold, innovate and sometimes take a testosterone-filled leap without a safety net. This Sunday, we will be watching the Super Bowl not only for the game, but for a world class lesson in marketing. However, we will be sure to keep one manly foot firmly planted in reality.

BANK NEWS

Next Crackdown

A Treasury Department official indicates the Consumer Financial Protection Bureau will ask the public for comments on how to improve fee disclosure by issuers of prepaid debit cards. This is the fastest growing segment of the payment card industry, delivering $1.4B in fee revenue to firms such as Wal-Mart and Green Dot.

Good News

FOMC Chair Bernanke said yesterday in a speech that he has seen increasing evidence of a self-sustaining recovery in consumer and business spending and despite stagnation in the housing market; he expects a more rapid pace of economic recovery in 2011 than 2010. He also indicated the unemployment rate is not expected to return to normal levels for several years.

THRIFT CHANGES

Banking regulators have issued a joint proposal that would require thrifts to change from thrift financial reporting to Call reporting beginning Mar 31, 2012; file deposit data with the FDIC starting June 30, 2011; and require holding companies to file the same reports with the Fed that banking holding companies do on Mar 31, 2012.