

LEARNING BANK MARKETING FROM THE PREAKNESS

by [Steve Brown](#)

While we were happy for the horse Shackleford for winning the Preakness, we were really rooting for Animal Kingdom to set up the excitement of a Triple Crown run. As an astute banker points out to us, regardless of who won, the race itself was a winner. Long called the inbred cousin of the Kentucky Derby, the famous race at Pimlico is a generally a middle class affair. While the Kentucky Derby is targeted at society's upper echelon with its Millionaires Row, fancy hats and Mint Juleps, the Preakness is better known for, um, let's say, the reckless, beer swilling over-indulgence of the infield crowd. The problem is that in an effort to move upscale several years ago, Pimlico put a cap on the supply of certain beverages and moved its marketing upscale. Ticket sales dropped dramatically. This year however, race organizers went the other way and embraced their core audience. They introduced Kegabus, the party animal complete with beer gut, nipple ring and long hair. In addition, race organizers rolled out the bottomless mug club, a swimsuit competition and live concerts. Ticket sales were up 18%, as attendance hit a near-high.

Our lesson from the Preakness is to understand yourself, before you start to understand your customer base. Few banks excel at branding and marketing as most seek to convince customers that they are the right bank for them. While this approach can be successful, it is usually inefficient. Good bank marketing helps the customer define him or herself as well as defining the bank. Maybe the bank is all about supporting small business, the green movement, women, minorities, doctors or labor unions. Maybe the bank goes after the Kentucky Derby set or markets middle class like the Preakness. Whatever the case, we believe that it is very difficult for a bank to be all things to all customer types and it is hard to compete for the mass market against the likes of Bank of America and Wells Fargo.

The select few top performing banks in marketing understand their customer base so deeply that their approach is to use marketing to promote their passion and beliefs. In other words, the objective of bank marketing is not to do business with everyone that needs your product, but to do business with people who believe what you believe. A customer that wants to do business with you because of an attribute such as price, branch hours or a promotion is not likely to stay a customer for long. However, a customer that banks with you because they believe what you believe is most likely to stick with you through a variety of cycles.

Consider the difference between Apple and Dell. If Dell comes out with a new computer, people might buy it if it is faster and priced right. However, it doesn't matter what product Apple comes out with or how they price it, a large percentage of the population will buy it regardless just because they identify so completely with the Apple brand.

While a bank may not be able to duplicate Apple's success, there are a handful of banks across the country that have moved in that direction and are better banks because of it. They have created a competitive advantage by strengthening both culture and brand. Adopting a Kegabus-like mascot, may not be the answer, but like the Maryland Jockey Club, some banks may want to take a chance on redefining themselves in order to better attract not only customers, but employees and shareholders

that share a common passion. If successful, banks will find that customer relationships pull to the front on value and help them best their competition by several lengths.

BANK NEWS

Banks Closed (43 YTD)

The FDIC closed 1) Summit Banking Company, (\$142.7 mm, WA) Columbia State Bank. (4.2B, WA) will pay the FDIC a premium of 0.75 percent to assume all of the deposits of Summit Bank. 2) Atlantic Southern Bank (\$741mm, GA) and 3) First Georgia Banking Company (\$731.0 mm GA) were both acquired by CertusBank, N.A., (SC) The loss-share transaction for Atlantic Southern Bank was \$585.1 million, and the loss-share transaction for First Georgia Banking Company was \$452.1 million.

Yikes No Hikes

Forbes is reporting that a new report from Goldman Sachs projects a wave of government belt tightening, a huge US deficit and fear that tighter policy could damage a weak recovery, could keep the fed funds rate near 0% for as much as 6Ys. Goldman analyzed an IMF survey of fiscal consolidations in rich countries that showed the average length of a successful government belt-tightening is 6Ys. We all hope they are wrong.

Baby Boomers

A survey by MetLife finds 80% of boomers check their retirement balance at least 1x per month and 50% check it weekly - yet only 33% are confident about their investments. Interestingly, the same survey also found boomers are only comfortable with volatility up or down in the value of their investments of 10% or less.

Rich Concerns

A survey by Spectrem of millionaires (net worth of \$1mm) and ultra-wealthy (net worth of \$5mm or more) finds 62% of millionaires and 50% of the ultra-wealthy are concerned about having saved enough for retirement.

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