

## If the Price Fits

by [Steve Brown](#)

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Earlier this year, the National Coffee Association published its annual National Coffee Drinking Trends research report. It showed 83% of the U.S. adult population now drinks coffee and daily consumption stayed steady at 63%. Meanwhile, those who drink coffee at least 1x per week rose slightly to 75%.

It's a safe bet to say that studying consumer drinking patterns helps members of the coffee industry determine production, growth potential and trends. For bankers, looking at similarly relevant data can help you better determine what customers want, how to best offer products and services and at what cost. On that note, a recent report by Market Rates Insight (MRI) highlights banking services customers are willing to pay for. Those ranked highest in consumer demand were credit score reporting (71.4%), identity theft alerts (70.8%), payment protection services (64.6%) and same-day bill pay (58.7%).

The MRI study also found evidence that consumers typically value service bundles more than individual services and are

willing to pay a premium for these package deals.

For example, study respondents indicated they are willing to pay \$3.07 per month for a credit score report, \$2.43 for account alerts and \$4.27 for prepaid cards, for a total of \$9.77. However, when these three services were offered as a bundle, respondents valued them at \$10.51 or an 8% premium.

To be sure, customers have become accustomed to receiving certain banking services for free. However, the MRI report emphasizes that while customers don't want to feel nickel-and-dimed, they are willing to pay for tangible benefits. The goal is to figure out how to match the price with the customer.

As you mull over this, keep in mind customers don't like to be surprised when their statements arrive. They want to make informed decisions and that means being as upfront and candid as possible about fees and the value of services delivered.

One way to do this is to consider your pricing structure and experiment a bit to see what works best. Consider the restaurant industry, where bundling is common. Customers can buy food items a la carte, or they can buy a pre-bundled meal for a slight discount. Still other times, bundled meals can be more expensive, depending on what the customer eats. Many times, customers ignore the price differential and pay more simply because they perceive they are getting more for their money.

It takes a long time to realize gains from pricing changes and it requires careful tracking but this need not be a logjam. Try test marketing price changes before introducing them wholesale to see how things go. If it works, you'll be pleased, but if it doesn't, you can quickly reverse course and try again. Take heart: Once a pricing strategy has been successfully tested and rolled out, benefits fall to the bottom line immediately.

Any pricing changes require thoughtful consideration. After all, customers are hard to find, harder to keep and competition is fierce. Think carefully, leverage good customer analytics and try and retry things to find the sweet spot.

Finding the exactly right pricing is a never ending journey, so think about it every day as you enjoy your cup of Joe.

## **BANK NEWS**

### **M&A**

Centerstate Bank (\$2.4B, FL) will buy the parent company of Gulfstream Business Bank (\$545mm, FL) for about \$82.1mm in cash and stock or 1.6x tangible book. This is the highest premium paid for a community bank in FL in 6Ys.

### **Closing Its Bank**

American International Group's AIG Federal Savings Bank (\$921mm, DE) will close its bank and return deposits to customers, as it adjusts to limits placed on it (as an insurer) by the Dodd-Frank Act.

### **Muni Risk**

The NY Times reports the city of Richmond CA is the first in the US to use eminent domain to stop home foreclosures. Richmond has sent letters to servicers of underwater loans, offering to buy them for a deep discount likely to be turned down. Once that happens, the city will exert eminent domain and try to take the homes. Banks and others warn lawsuits and reduced lending in the city is likely to follow.

### **Settlement**

Bloomberg reports JPMorgan Chase will pay \$410mm to settle allegations it manipulated energy markets in CA and the Midwest from 2010 to 2012.

### **New Biz Customers**

A survey by Global Entrepreneurship Monitor (GEM) finds 12.5% of Americans planned to start a business in 2012 vs. only 8.3% who said so in 2008 - an increase of 51%.

### **Social Small Biz**

A Newtek Business Services survey of small businesses finds 57% now have a Twitter or Facebook account (about 10% higher than last year).

### **Customer Investing**

A Bankrate.com survey finds the top five areas people see as the best way to invest money they won't need for more than 10Ys is in cash, savings accounts or CDs (26%); real estate (23%); gold or other precious metals (16%); the stock market (14%) and bonds (8%). Interestingly, when segmented further, those making \$100k or more prefer stocks (34%) and real estate (32%).

### **Texting vs. Email**

Entrepreneur reports studies find 90% of text messages are read within 3 minutes after arriving and 98% are read within an hour. In contrast, marketing email open rates are about 20%. Something to consider perhaps as you expand your marketing efforts in the next 6 to 12 months.

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