Bottled Water and Banking

by Steve Brown

If you drink bottled water to quench your thirst, you're not the only one. Last year alone, every person in America drank an average of 30.8 gallons of bottled water, according to the International Bottled Water Association. Research finds that in 2012, overall consumption of bottled water climbed by 6.2% to 9.67B gallons, a historical high, while sales rose 6.7% to $11.8B.

Bottled water has been around for many years, but it wasn't until the mid-'90s, that it really took off with the masses. It strikes us that there is a lot banks can learn from the continued growth of the bottled water industry. For starters, it's interesting to note that for reasons of taste, quality and convenience how many people are willing to pay for a product they can get for free.

Clearly the same isn't always the case in banking and we should ask ourselves why and what can be done to change the perception bank fees are the root of all evil. Of course, fees come in all shapes and sizes, but it seems that customers are particularly loath to pay for those associated with checking accounts. A recent study from TD Bank found that although 83% of checking account holders rank their day-to-day experience as excellent or very good, 36% say they are extremely or very likely to switch banks to avoid fees and 14% have changed financial institutions because of the cost of their account.

Over the years, there have been many claims made about bottled water that could have crippled the market. Perhaps through persistent marketing and advertising efforts the bottled water industry has managed to convince consumers it's worth the money to pay for what's perceived as better quality. Banks could do well to follow this lead. Studies have shown customers are willing to pay more for banking services when they believe they are getting higher quality. So our job is to show these customers what more they are getting for their money.

It's not just limited to checking account fees either. All areas of the bank deserve a look to find ways of bringing in fee-based revenue and providing better service and quality for customers in the process.

Another lesson from the bottled water industry is the power of choice. When it comes to bottled water, the selection is plentiful, offering oodles of choice to consumers. There's Artesian well water, spring water, purified water, mineral water and sparkling bottled water, to name a few. The takeaway for banks is that having a breadth of products and marketing them effectively can make good business sense.

That brings us to another important point, which is that it's not enough for banks to simply have an array of products. Customers need to know these products exist. While the TD Bank study found that only 14% of consumers have changed financial institutions, it also showed that a mere 11% moved into a new account at their current bank. This could indicate banks aren't doing enough to let customers know about other in-house options that may be better suited to their needs. Avoid the customer frustration and don't wait for customers to have one foot (or both) out the door before making the pitch (by then, it's too late).

From a consumer perspective, it can be difficult to know the difference between one type of bottled water and another. The same is true for banking products. That's why we have to be as clear as water about what we're offering customers. Transparency is good for the water industry and for banks.

BANK NEWS

Small Biz Ownership

Fed research finds the income of a typical household headed by a self-employed person fell 19% from 2007 to 2010. While this has likely improved since, based on more recent data, it shows why so many small business owners remain cautious.

CRE Recovery

Research by Moody's finds that while CRE prices have recovered from their 40% plunge at the deepest point, they remain 24% below 2007 levels. Bankers should note this when lending in the sector or dealing with borrowers seeking to take money out on a refinancing.

Regulatory Impact

Research by Bassett, Lee and Spiller finds that when regulators crack down on bankers and become stringent in supervisory ratings, banks will originate fewer loans for about the next 20 quarters (5Ys).

Top Brass

Research by Booz & Co finds 15% of the world's largest public companies changed CEOs in 2012, the highest level in 7Ys.

Employees

A survey by BlessingWhite finds 40% of employees say they felt engaged in their company in 2012 vs. 33% the prior year - a 21% improvement. Meanwhile, just 12% said they did not intend to stay in their jobs.

Strategy

A McKinsey survey of CFOs at global companies finds the primary strategic challenges they say they face are finding new sources of organic growth (86%); balancing long-term strategy for growth with short-term strategy for earnings and investors (77%); managing exposure to risks related to reputation, regulation, operations and or financial volatility (63%); actively reshaping the portfolio to ensure ongoing value creation (62%); and addressing the implications of changes in competitive landscape (56%).

Customer Satisfaction

A report by Cisco finds the most important attributes customers want from their banks are efficiency (68%), competence (65%) and availability (63%).

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