

A Poetry Contest Beyond All Others

by [Steve Brown](#)

There is a curious annual event at a restaurant/bar we know called the Cowboy Poetry and Liar's Contest. The poetry contest is pretty clear: contestants recite poetry and are judged on content, rhyme, pentameter, story and their presentation. Contestants in the Liar's Competition are judged on content and story as well. But most important is their ability to set up a plausible background into which they can layer the elements of a tall tale. Presentation is far more important to a contestant in a Liar's Contest.

One of the best known uses of fabrication in a plausible scenario, is advertising. Advertising execs of the world will be heartily offended that we would characterize their trade as creative lying, but some study results on the believability of their message or at least measuring the skepticism of their audience would cause them more than a little squirming. One study by a large international media company asked consumers if they would care about the disappearance of some 700 brand names. In the US and Europe, 92% of the brands were deemed expendable, consumers didn't really care at all. There are notable exceptions. If a consumer wants an iPhone or an iPad, a Blackberry won't do. Or if an enthusiast wants a Harley Davidson motorcycle, the fact that a Yamaha costs less won't matter much.

We speak a lot about the importance of the reputation of community banks in one's market. Would brand importance for a bank be more like that of the 92% of brands no one cares about or more like a Harley Davidson where price is far less important than a customer's sense of value and pride in the relationship?

Every market is different, but for most of the really big banks, their brand probably holds less importance than the convenience of their ATM machines and the whiz-bang of their electronic interfaces. Big banks almost always fit into that 92%. If no one really cares about the brand, then chances are the only point of competition is price. The biggest banks for the most part do not pay higher deposit rates. Where they do compete fiercely is on lending rates, undercutting all of the competition. Part of why they can is because their deposit rates are low. Also important is that they also are not afraid to actively cross sell or even require that a borrower do other business in the bank in order to receive the best lending rate.

Mostly community banks will not do well in a contest based only on price. So the logical step for a smaller bank is to emphasize reputation and a brand that is meaningful in your target market. Then hopefully your institution will be one of the 8% of brands that customers are proud to do business with and choose based on an emotional connection. Advertising may be useful, although like the Liar's Contest, often people are skeptical. If pricing is off the table, what else can a bank offer?

Banking is a pretty boring business, one checking account or home equity loan is much like any other. But one can differentiate based on expertise in certain lines of business, on people in the bank, and on the partnership your team can offer. Don't forget to leave your office. After the long cycle of unwinding credit problems and tending to regulatory issues, the in-person call may have dropped off the list. Bankers need to get out and call on customers and then the connection should be real and lasting.

If you want to pick up some ideas from the visionary that actually built the Harley Davidson brand, PCBB's EMC in April features Ken Schmidt, former communications strategist from Harley Davidson Motors. Check out the full agenda online and take advantage of the Tardy Bird discount if you haven't registered yet: [EMC Info](#)

BANK NEWS

Consumers

A study by the Consumer Federation of America finds only 68% of all Americans are spending less than they earn and saving the difference, down from 73% in 2010. Meanwhile, 64% of households said they had emergency funds vs. 71% in 2010.

Crackdown

We have said this before, but are now hearing directly from bankers that regulators are very focused on seeing analysis of how much banks expect to see in deposit runoff once rates begin to rise and what if any, contingency plans are in place.

More Money

A Fed survey finds Americans expect to see their incomes increase by 2.4% this year (+33% from the prior month) and spending to climb 4.8% (+4%).

Trust

Edelman research finds 50% of consumers trust bankers to do what is right. This compares to 77% for technology companies, 69% for automotive, 66% for food and beverage 65% for consumer packaged goods and 62% for both telecommunications and brewing/spirits.

Jobs

Bloomberg research finds unemployment among those 16 to 19Ys old is 3x higher than the average worker and only 33% worked or looked for a job in Jan - the lowest level in 66Ys (1948) and well below the high of 59% (1978). Experts say more are going back to school or locked out due to a lack of skills and competition from more qualified applicants. The unemployment rate for teens is 21% vs. 15% just prior to the recession.

M&A Multiples

SNL reports the average deal price this year has increased to about 1.37x tangible book vs. about 1.29x last year (about a 6% increase).

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