
Customer Loyalty At The Highest Level

by [Steve Brown](#)

At our recent Executive Management Conference in San Francisco, one of the most popular speakers was Ken Schmidt from Harley-Davidson Motor Company. Ken was the former director of communications for Harley and played a key role in one of the most celebrated turnarounds in corporate history - bringing the company back after it almost went bust a number of years ago. Today the Harley brand has some of the highest customer loyalty worldwide. If you have ever seen Ken speak, you know he is dynamic and full of energy, but also down to earth and easy to listen to. Attendees were enthralled the entire hour and Ken's session pulled from his experience with Harley but was chock-full of lessons for community bank attendees.

One of the most interesting facts about Harley is how they have bred such loyalty amongst their customers, even at a relative steep price-point (the normal customer is likely to pay something like \$25,000 once the expert sales staff has finished with customization). Customers willingly pay a premium for the image a Harley delivers - cool outlaw-types with shiny, loud machines.

Admittedly, the modern buyer is hardly an outlaw, but closer to a middle-aged banker (Harley riders are typically middle-to-upper-income baby boomers). Sure, they like to ride motorcycles, but it goes far beyond that. To most buyers, Harley is a lifestyle. Those who aspire to live the Harley lifestyle are not only found in America, but in places like Japan (home of competitors Honda, Suzuki, Kawasaki, etc.), Europe (BMW and Ducati) & now India.

As we listened to Ken speak passionately about Harley, we pondered what could make community bank customers as passionate about their banks. At first, we were unsure about a comparison between banking and motorcycles, given banking products are mostly indistinguishable between institutions. We then saw a photo of a Honda motorcycle designed to look exactly like a Harley, but selling for about half the price. You would think that if someone could get almost the exact same bike for a lot less money, they would, right? Well, Harley outsells that Honda 13-to-1 in the U.S. and 10-to-1 in Japan. The two motorcycles were seemingly indistinguishable, but customers wanting to be a part of the Harley lifestyle are happy to spend twice as much to get the one with the Harley-Davidson logo on the gas tank.

These customers aren't buying based on practicality or numbers, but rather are buying based on emotion. They are buying the brand and what it means to them. They are seeking an image. So what can a bank do that is so compelling, competitors could mimic the product and offer a cheaper price (lower loan rates or higher deposit rates), yet customers in exponential numbers still would prefer to pay more?

It may seem that the big bank brands have market dominance so little can be done. We think those brands get some loyalty, but we have yet to see a mega bank customer with passion and an emotional connection. That is the magic everyone is seeking and community banks are no exception.

As you continue our journey to build customer passion about your bank, many methods are possible. Whether you try something like sponsoring an organization that is close to the hearts of your

customers, put a coffee shop in your branch or have a customer service team that exceeds your customers' expectations with every interaction, this journey never ends.

We suggest taking a page from Ken and asking what you and your staff are going to do today that is different from what you did yesterday to make customers find passion in your bank. Customers have lots of choices and they don't come to you seeking price or convenience. They come seeking an experience that differentiates your bank from all the others. If you can find the key that starts the engine of the customer and elicits an emotional response, business will roar to life and customers will be loyal to your brand and your bank. Listing rates, features or prices is just never going to generate the type of emotional response the Harley brand gets, so challenge your team to find something that will and keep roaring down the road.

BANK NEWS

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Institution for Savings in Newburyport and Its Vicinity (\$1.7B, MA) will acquire Rockport National Bank (\$200mm, MA) for \$28.3mm in cash or about 1.9x tangible book.

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First State Bank (\$106mm, IA) will acquire Patriot Bank (\$56mm, IA) for an undisclosed sum.

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Community Bank (\$546mm, PA) will acquire First Federal Savings Bank (\$319mm, PA) for about \$54.5mm in cash (35%) and stock (65%).

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U.S. Bank National Association (\$360B, OH) will acquire the document custodian business of Ally Bank (\$99B, UT) for an undisclosed sum. The move increases documents under custody at U.S. (such as collateral loan files, equipment leases, home equity, improvement, vehicle loans and leases) by 15%.

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Heritage Bank (\$107mm, TX) will acquire Nixon State Bank (\$76mm, TX) for an undisclosed sum.

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Grants State Bank (\$120mm, NM) will acquire Sunrise Bank of Albuquerque (\$41mm, NM) for an undisclosed sum.

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Centennial Bank (\$6.8B, AR) will acquire Florida Traditions Bank (\$296mm, FL) for \$43mm in stock.

M&A

Peer-to-peer (P2P) platform Lending Club will acquire Springstone Financial for \$140mm in cash and stock. Springstone offers education and elective medical procedure loans and did \$340mm last year. Lending Club has made more than \$4B n personal loans.

Competition

In an effort to capture more business customers, PNC announced a new tablet app it is rolling out to commercial clients. The app reportedly lets businesses view balance and transaction details, approve wire transfers and receive alerts, among other features.

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