

Quality Or Quantity

by [Steve Brown](#)

Belgium is a small country on the North Sea in Europe that shares traditions of food and drink with both of its neighbors France and Germany. There are two primary languages spoken in the country. Flemish, which is closely related to Dutch, is spoken by roughly 60% of the population and French is spoken by the other 40%. One language that is spoken universally in Belgium though, is the language of beer. The country of 10mm people (about the size of the U.S. states of GA or MI) boasts roughly 180 breweries and more than 350 different beers. That makes some sense when you consider most Belgian beer originated in monasteries as monks passed the dark winters of medieval times. In fact, Belgians drink quite a lot of beer or roughly 84 liters per year. That is less than the 200 liters they drank 100Ys ago and behind the Czechs who drink some 132 liters per year.

Before we switch to banking, we also note that much of the beer in the Czech Republic comes from large industrial breweries, whereas most beer in Belgium is from smaller breweries (quite a number of which are still housed in monasteries). Here in the U.S. that is like Budweiser versus a local microbrewery. Certainly recent years have seen a proliferation of small breweries in the U.S. and most are modeled after the Belgian tradition (only without a monastery). These small American breweries do not intend to compete with Bud or Miller on price, but instead to be judged on a completely different scale of quality, ingenuity or the ambiance of their brew pub.

Just as the consumer of beer seeks a great experience, that is how it is for community banking customers. Product choice is practically identical from the outside, so bankers have to differentiate products and services based on experience and high quality customer service. To customers, a checking account is a checking account and they are all the same regardless of bank.

What banks use to differentiate themselves has always been more experiential. Community banks sell expertise and customer service. This makes sense as it is just a natural outgrowth of the business model, rather than a carefully scripted image. Note that when large beer companies advertise, they focus a lot of effort selling experience, ambiance and other non-quantifiable aspects to consumers of their product. Whether these ads are all about puppies or big horses that pull wagons any reference to flavor or quality of the product in a modern beer advertisement is likely to be a passing thought.

How about big bank advertisements and the images shown on their web sites? Are they selling product or ambiance? Perusing YouTube for big bank ads, we found a Wells Fargo ad for mobile services. It shows a customer making a deposit while getting her pre-wedding pedicure with her best pals at the salon. For Bank of America we found puppies in one and a concert in another with lots of cool people attending. These ads talk about product, but in the end, they primarily designed to create ambiance.

Maybe the monks were onto something when they invented and tinkered with beer way back when that banker's can tap into. No one wants flavorless beer and the largest banks constantly work to create the image of quality of life and experience to attract customers instead. This comes completely naturally to community banks, so don't underestimate the power of your bank's ability to make customers feel cared for and secure. The brightest minds in advertising are desperately trying

to replicate it for the big guys, so tap into what you already have and enjoy sipping the success it can deliver your institution.

BANK NEWS

Sale/Restructure

The parent company of Banco Popular de Puerto Rico (\$26.6B, PR) and Banco Popular North America (\$8.8B, NY) said it will sell 41 mainland U.S. branches (of 90) including \$1.8B in loans and \$2.1B in deposits to three buyers. Banc of California (\$3.6B, CA) will buy 20 branches, \$1.1B in deposits and \$1.1B in loans; First Midwest Bank (\$8.1B, IL) will acquire 12 branches, \$750mm in deposits and \$525mm in loans and Harbor Community Bank (\$627mm, FL) will buy 9 branches, \$115mm in loans and \$239mm in deposits.

M&A

Peoples Bank (\$2.1B, OH) will acquire North Akron Savings Bank (\$148mm, OH) for \$20.1mm in cash (20%) and stock (80%).

M&A

The parent company of Your Community Bank (\$714mm, IN) and Scott County State Bank (\$135mm, IN) will acquire First Federal Savings Bank of Elizabethtown (\$859mm, KY) for about \$17.9mm, pay off TARP of \$12.3mm and buy back \$25.0mm of common stock immediately following the close of the transaction.

M&A

Heritage Bank of the South (\$1.4B, GA) will acquire Alarion Bank (\$279mm, FL) for \$22.1mm in stock.

M&A Terminated

First Federal Bank of the Midwest (\$2.2B, OH) and First Community Bank (\$101mm, OH) jointly agreed to terminate their recently announced merger agreement due to a "significantly longer" time needed to complete the merger.

Deposit Purchase

SNL Financial reports BAC Florida Bank (\$1.4B, FL) is seeking regulatory approval to acquire a portfolio of deposits from Northern Trust Co (\$103B, IL).

Branch Closures

In March, Regions Bank closed 30 branches across its footprint in an effort to improve efficiency, reduce expenses & adjust to changing customer behaviors.

Branch Sale

Citigroup is reportedly looking to sell 50 branches in CA (about 13% of its total) that hold \$3B in deposits. The bank is looking to reduce its branch footprint, adjust to customer behaviors & concentrate branches in major urban areas.

Copyright 2021 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.