

## Better By The Growler

by [Steve Brown](#)

We were impressed to read the other day about a German fellow at beer festival in Bavaria who set a new world record for transporting beer mugs, carrying 27 one-liter beer glasses for 40 meters. A few quick calculations showed that the beer alone would have weighed almost 60 pounds. Most of us would opt for another method of carrying beer and the most normal means in the US, at least from craft breweries, is the growler. Growlers are jugs that typically hold a half-gallon to a gallon of beer.

Something must be working here, because the sale of craft beer increased by more than 17% last year vs. big market brands at 2%. Do you suppose big market brands will attempt to make a higher quality product to capitalize on the trend that Americans are drinking less but buying higher quality? Nope - instead they are working through state legislatures to restrict the sale of growlers in a number of states, in an effort to make it more difficult for customers to transport their craft beer home.

Community bankers would love to see the same kind of percentage business increase that small brewers achieved over the last year. It is complex for community banks to install brewing apparatus in the basement, but one can learn from the success of smaller brewers. Craft brewers rely upon there being demand for a unique, high quality product that is local in its business focus as well as in its image. The same should follow for banks, but the brand recognition of the biggest banks often overwhelms a smaller organization's attributes.

Research finds the three main drivers of consumer brand equity are awareness (recognition), associated qualities (BMW = quality German engineering), and loyalty (I love my Apple). Recognition alone isn't enough. After all, the largest banks have recognizable brands, but what they signify is a different question. If you walked down the street asking random people if they feel that Bank of America stands for high quality, value and personal service, you are likely to get many different responses (even from people who don't bank there). No one is confused by the name or the logo, but recognition does not necessarily add value. Successful brand differentiation for financial services companies - especially for smaller ones - must come from consistently high- quality customer experiences. All the image ads in the world will not overcome a lousy experience when a potential customer engages with your staff. For that reason, a bank's image is almost entirely dependent upon its employees. Employees have to be customer-centric and create a lasting emotional impression of competence and concern.

Big banks attempt something akin to the big brewer's attempted restriction on small brewery growlers in order to protect their customer base. The big banks make it so complex for customers to leave their bank that customers stay even if they hate everything about their relationship.

For us, it is difficult to see long term success if there is no love. That's why we suggest community bankers look for successful role models when working to define their brand. The American craft brewing industry is booming and is based on the same ideas that make community banks successful: competence, creativity and quality.

Maybe it is time to visit your local craft brewpub for ideas, and while you are there, ask them for their business. If they say they bank at a mega bank the response is clear as a glass of good lager -

banking with a behemoth is like drinking a mega beer. Certainly a local craftsman should know better!

## **BANK NEWS**

### **M&A**

Heritage Bank of Commerce (\$1.5B, CA) will acquire factoring company Bay View Funding (\$44mm, CA) for about \$22.5mm in cash.

### **M&A**

IAB Financial Bank (\$960mm, IN) will acquire The First State Bank, Bourbon, Indiana (\$88mm, IN) for about \$18.3mm in cash or 1.14x tangible book.

### **M&A**

The First State Bank (\$319mm, KS) will acquire The First National Bank of Holdrege (\$108mm, NE) for an undisclosed sum of money.

### **M&A**

First American Bank (\$863mm, NM) will consolidate operations and merge its sister bank AmBank (\$131mm, NM) into the larger bank.

### **M&A**

NewBridge Bank (\$2.4B, NC) will acquire Premier Commercial Bank (\$173mm, NC) for about \$19.8mm in cash (25%) and stock (75%) or 1.13x tangible book.

### **M&A**

First Commonwealth Bank (\$6.3B, PA) will acquire home, auto and commercial insurance agency Thompson/McLay for an undisclosed sum.

### **M&A**

Mortgage and mortgage insurance financial services company Complete Financial Solutions Inc. (WA) will inject capital into and then acquire Northern Star Bank (\$20mm, MN) for an undisclosed sum.

### **Branch Purchase**

Heritage Bank of the South (\$1.5B, GA) will acquire a branch in GA from The PrivateBank and Trust Co. (\$14.6B, IL) for a 3.8% deposit premium. The branch has \$129mm in deposits and \$40mm in loans.

### **13 Hack Attacks**

The Financial Times reports 13 financial institutions may have been hit by the same group that hacked and stole customer information from JPMorgan Chase.

### **Fined**

The CFPB has required Manufacturers and Traders Trust Co. (\$90B, NY) to refund \$2.9mm in fees it charged 59k customers for its free checking product to settle deceptive practices violations and pay a \$200k fine. The CFPB said M&T advertised a free checking account but did not indicate it required a minimum level of activity to maintain it.

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