Sub-Brands Could Expand Your Customer Base

by Steve Brown Topics: strategic planning, customer acquisition, customer experience

Summary: Sub-brands can be successful, and some community banks are starting to use them. Would sub-brands work for your institution?

Psychologists say the human personality comes from five major traits of openness to experience, conscientiousness, extraversion, agreeableness and neuroticism. You can have bits and pieces of each and that is what makes people different and fun to be around.

In the world of marketing, different traits can help differentiate one entity from another - even when it is the same global entity. Look at how Marriott and Hilton have sub-brands that cater to different audiences, but are the same underlying brand. Perhaps community banks may want to consider sub-brands too - provided the costs to do so aren't too great.

For example, let's say you're known as a business bank specializing in serving doctors and dentists. You might want to start finding ways to serve the needs of younger business owners beyond those industries, but how do you find those customers?

You might launch an internet-only sub-brand that contains hints of your main brand. It could have the same color scheme, messaging about culture, but focus on the products that this new group of target customers are increasingly expecting. Or, if you have been able to keep up with some of the cutting edge technology, you could market yourself as a bank with the latest technology - from video banking to augmented reality that overlays your ATMs within their phone.

The trick is to not invest too heavily in a sub-brand that it takes away needed capital for growing your bank. Internet-only brands can be a good choice to limit spending on new brick-and-mortar, but that is just one thought. If your bank chooses to have a sub-brand that focuses on private banking to wealthy individuals, building private banking offices one or two at a time to support clientele might be a sound way to steadily achieve ROI.

You also have to be very careful not to take away from your main brand. Chase learned this the hard way through its failed sub-brand, Finn. This internet-only bank catering to millennials could not separate itself from the pack. Not enough customers opted for a separate brand, when they could just as easily bank with the main brand. So, Chase closed Finn and more heavily emphasized its personal finance management tools on its main mobile app.

Some community banks have already built successful sub-brands. A bank with a limited branch footprint in WI has an internet-only sub-brand that offers motor coach loans for high-end motor homes to customers across the country. The sub-brand is now an "incubator" testing things before the bank begins offering it on its main brand.

A NE community bank has an internet-only sub-brand touting online savings accounts with no monthly fees or minimum balance requirements. It also offers online checking accounts, credit cards, 529 college savings plans and other investment products.

Still another community bank in NY offers an internet-only sub-brand with a high-yield savings account, including some of the highest rates in the country.

Launching a sub-brand to target a distinct audience that doesn't cannibalize your main brand can be winner. Our advice is to test and learn if you do so, as you remain ready to pull the plug, if unintended issues surface to help protect your current brand.

BANK NEWS

Small-Dollar Loans

As reported by the Wall Street Journal, FDIC Chair McWilliams is spearheading a joint agency guidance document for banks to be encouraged to originate small-dollar, short-term loans. Last year, the OCC changed its policy, but joint regulatory guidance will solidify regulators' position on these loans.

Activation Soon

Fed Vice Chair for Supervision Quarles suggested that integrating a countercyclical capital buffer tool could help keep the US financial system resilient during a downturn. This is a tool that allows the Fed to turn the dial up or down depending on the state of the economy. It is not currently being used, but Quarles notes that "because of the strength of our capital requirements and [stress tests], our assessment of overall vulnerabilities remains moderate. This raises the question of whether our through-the-cycle capital levels in the US have been set so high that our countercyclical capital buffer is effectively already 'on.'"

Debt & Collections

A CFPB report that finds that as of Q2 2018, some 28% of consumers with a credit report have at least one debt in collection by third-party debt collectors. Medical, telecommunications and utilities debt accounted for more than 78% of total third party debt collections.

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