

AMERICAN BANKER

On Focus and In Depth

BRAND VALUE SURVEY

Who Has Taken a Hit, and Who Has Remained Strong?

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By [Bonnie McGeer](#)

Branding experts say consumer trust is eroding in response to upheaval in the financial services industry. The combination of the subprime mortgage crisis, the economic downturn, the rising number of bank failures, and the housing market collapse have finally started taking a toll.

"This type of large-scale failure of the process and the products tends to have a consumer backlash," said Robert Passikoff, the president of Brand Keys Inc. in New York. "I think there's a tremendous erosion of consumer confidence."

This year independent surveys measuring how financial services companies are viewed, including those by Brand Keys, Corporate Branding LLC, and Harris Interactive Inc., generally show the companies have lost their momentum. Scores dropped notably in a Forrester Research study of customer advocacy.

"The banks have lost a lot of credibility," said Alan Siegel, the chairman of the New York branding firm Siegel & Gale LLC. "The whole financial sector has, but particularly the banks."

The trouble is not just general industry news, he said; as companies are responding to the crisis, some are undermining the customer relationships they once worked so hard to build.

Many people are losing their homes because of inappropriate loans. Credit is getting harder for businesses and individuals to find. Onerous terms on credit cards raise interest rates for missed payments on other bills. Home equity lines of credit are being withdrawn, even for those with excellent credit who never missed a payment.

"The key to branding is: It's not what you say. It's what you do," Mr. Siegel said.

Still, branding experts say that in general community banks are doing better than the rest of the financial sector.

In a study conducted for the first time by Bancography in Birmingham, Ala., banks with \$5 billion or less of assets dominated the top ranks. In the Forrester study, community and regional banks held steady during the overall free fall, with 49% of their customers saying they feel the company does what is best for them, versus 48% last year.

"A lot of the community banks have tremendously strong brands," said Steven Reider, Bancography's president. "The fact that they only have it across a small geography isn't a weakness. If you're not in Louisville, it doesn't mean anything that someone in Louisville doesn't recognize your name."

Bancography analyzes financial data, such as cost of funds and earnings consistency, to quantify brand value. It rated almost all the banks in the United States, except those that have inadequate capital or are losing money.

By its measure, the \$2.7 billion-asset **Woodforest National Bank** in Houston had the highest brand value. Mr. Reider said the bank promises convenience and delivers on the promise, a model in executing brand strategy well.

The **Woodforest Financial Group Inc.** unit has many of its 500 branches in stores of retailers such as Wal-Mart Stores Inc., keeping the same hours as the retailer. Eight of its Texas branches are open around the clock.

"The convenience of knowing Woodforest is always available to you is refreshing to customers," said Robert E. Marling, the chief executive officer.

The unusual strategy has proven helpful to customers during emergencies. The Thursday night before Hurricane Ike ravaged the Texas coast, Mr. Marling visited one of the branches around 9 p.m. "The lines were fairly strong, with customers getting cash and getting out of town."

That night Woodforest, which has branches in 15 states, flew in about 30 employees from Illinois and Indiana. Mr. Marling said his company wanted to ensure its Texas branches could open, even if the hurricane forced local employees to stay at home.

"We have a rapid response team to open branches. The people who work in those branches and live locally, they can go take care of their family," he said the next day while busy with disaster planning as Ike struck. "It gets back to that ownership mentality, getting these branches open, and taking care of customers."

Convenience is also a theme for other banks with powerful brands. **Commerce Bank** of Cherry Hill, N.J., also known for extended branch hours, made an industry splash by marketing itself as "America's Most Convenient Bank." And though it is now part of **Toronto-Dominion Bank's** U.S. arm, John Cunningham, Commerce Bank's director of marketing, said it has no plans to change that strategy.

Many banks make the mistake of altering their positioning so frequently that the message does not stick with customers, he said. "There's a saying in the advertising business: When we're sick and tired of our own advertising, it's probably just starting to take effect. That's a true statement. You need to pound away and pound away."

Commerce tries to reinforce the convenience theme with its advertising. It sponsors a four-second "time and temperature" spot that runs six times a day on a New York television station. That way, it can plug the Commerce name frequently and provide a convenience to the public, Mr. Cunningham said. "That sort of harkens back to the old days, when banks used to have the time and temperature on the signs outside of their branches."

As Commerce moves to a new name, TD Bank, in November, Mr. Cunningham said it will maintain its focus on convenience, down to the coin-counting machines and its water bowls for dogs.

"We'll continue to take full advantage of that position," he said. "Customers have clearly told us, both with their voices and their feet, that they love it."

For three years, J.D. Power & Associates in Westlake Village, Calif., has ranked Commerce first in customer satisfaction among Middle Atlantic banks.

Mr. Cunningham said a typical local newspaper has black-and-white bank ads with certificate of deposit rates, but there is often only one bank ad in color and without rates: Commerce's.

"People don't ever say, 'Commerce pays the really high rates.' We've designed the marketing programs around convenience," he said.

Mr. Reider said he considers cost of funds a key factor in calculating brand value — the lower a bank's deposit rates, the more likely that it has a strong brand.

"If you can attract people without paying premium rates, you must be doing something right," he said. "People are willing to give up income for other benefits you offer, whether that is better service or more convenience or something else."

For successful branding, banks need to decide what their "brand pillars" are and deliver on them, like Woodforest and Commerce have, Mr. Reider said. "They need to say, 'This is what we stand for, whether that means we know your name or our drive-through is open until midnight.' "

Delivering on the brand promise is not about clever advertising, he said; it should come through in the way a bank interacts with a customer. Woodforest, which has the top deposit share by far in the county where it is based, has no TV, radio, or print ads. Instead, it makes charitable donations and puts the Woodforest name on high school scoreboards and stadiums. It recently paid \$1 million to get the naming

rights for 10 years on a high school stadium in north Houston, Mr. Marling said.

But highly visible branches and automated teller machines are the best way to deliver the "convenience" message, he said. "A big part of our branding is people seeing us in stores. And when they become customers, they are convinced we are the solution to their financial needs."

Mr. Marling said he believes the negative news in the banking industry has hurt larger competitors, but not community banks like his. Woodforest is gaining customers from some beleaguered banking giants, he said.

Michael D'Esopo, a senior partner at Lippincott Mercer, said he suspects small banks are avoiding some of the industry tarnish since they generally have stronger customer relationships.

"The way that smaller banks have had to differentiate prior to the market dynamics of the last 12 months has been to have that better knowledge of the customer," he said.

Employee turnover could be another factor. Mr. Reider said small banks consistently outperform large ones in customer retention. He attributes that to employee stability: Tellers generally stay for more than a year at small banks but about eight months at large ones.

Mr. Marling said employees of the privately held Woodforest are a critical factor in its success; they own about 25% of its stock.

"When you talk about taking pride and building brand, our employees get a lot of the credit," he said.

Last year J.D. Power ranked Woodforest first in customer satisfaction among banks in the Southwest. (It was not ranked this year, because J.D. Power did not survey a large enough sample of Woodforest customers.)

Brand Keys measures how customers rate their banks on four factors: cost of services, financial planning, customer service, and breadth of service. Those factors are the biggest "drivers" of loyalty, Mr. Passikoff said. In previous years, customers have shown that cost was always the most important factor in their minds, followed by breadth of services, customer service, and financial planning. This year they ranked financial planning first, customer service second, cost third, and breadth of services fourth.

He called the change dramatic. "Things that drive loyalty in the financial category have shifted ... a harbinger of the fact that consumers are going to be behaving differently, and what they look for in their bank will be different."

The Brand Keys study indicates that customer service is going to be a more important differentiator in banking than it has been in the past, he said.

For many community banks, that already is a focus. Rob Jorgensen, senior vice president of marketing at the \$4.3 billion-asset **S&T Bank** in Indiana, Pa., said its tag line, "Relationship Banking, One Customer at a Time," is a meaningful promise. "We're not looking to push the product of the day."

S&T's strategy is to hire people with a friendly attitude who are involved in community activities, he said. "So we're building relationships even outside of work."

Mr. Reider said S&T stands out in Bancography's study. "What's most interesting about S&T is they are not in a glamour market but consistently do well."

It attracts more than its share of deposits per branch, despite operating in slow-growth markets with below-average income levels, he said. "That's a you're-doing-something-right situation."

Mr. Jorgensen said he thinks S&T's advertising helps it stand out in a crowded banking market. Jerome Bettis, the former Pittsburgh Steelers running back who is now an NBC sportscaster, has been S&T's spokesman for three years. He appears in its TV ads, billboards, direct mail, and ads at point of sale.

How Mr. Bettis came to be its spokesman speaks to S&T's ability to build relationships. He had become a commercial customer through his involvement with the Altoona Curve, a minor-league baseball team, Mr. Jorgensen said. Another bank had asked Mr. Bettis to represent it, prompting him to approach S&T about striking a deal instead. "He said, 'If I'm going to be a spokesperson for somebody, I'm going to talk to S&T

about that.' "

In addition to helping ads get noticed, Mr. Bettis confers other advantages on S&T's branding effort, Mr. Jorgensen said. "I think it does carry some weight that he actually is a customer."

To measure customer experience, analysts at Sandler O'Neill & Partners LP visit Manhattan branches every August. They grade a dozen banking companies on branch appearance, waiting times, professionalism, salesmanship, and product knowledge.

For the second year in a row, **Sovereign Bancorp Inc.** earned the highest grade point average — 3.53 out of 4.00 — Sandler said in a report issued Sept. 9. The employees were polite, energetic, and knowledgeable, the report said. "Whoever trains their branch people should get a raise."

Roy Lever, Sovereign's managing director of retail banking, said he routinely sends specialized coaches to all its branches. The coaches, mostly former branch managers, reinforce earlier training to improve the overall customer experience, he said. "That way I can make sure we have consistency. In other words, are we training the same way for customer experience in New York as in Boston?"

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Bancography's Brand Value Index

| | Bank | Brand premium |
|----|---------------------------------------|---------------|
| 1 | Woodforest National Bank, <i>Tex.</i> | 154% |
| 2 | Westamerica Bank, <i>Calif.</i> | 148% |
| 3 | Silicon Valley Bank, <i>Calif.</i> | 148% |
| 4 | City National Bank, <i>Calif.</i> | 142% |
| 5 | City National Bank of W.Va. | 140% |
| 6 | Wells Fargo Bank, <i>Calif.</i> | 138% |
| 7 | Nevada State Bank | 132% |
| 8 | PNC Bank Delaware | 122% |
| 9 | First Interstate Bank, <i>Mont.</i> | 121% |
| 10 | U.S. Bank, <i>Minn.</i> | 118% |

Note: Brand premium is defined as the percentage increase in market value over book value attributable to intangible, non-market-based factors such as image, reputation, and service quality