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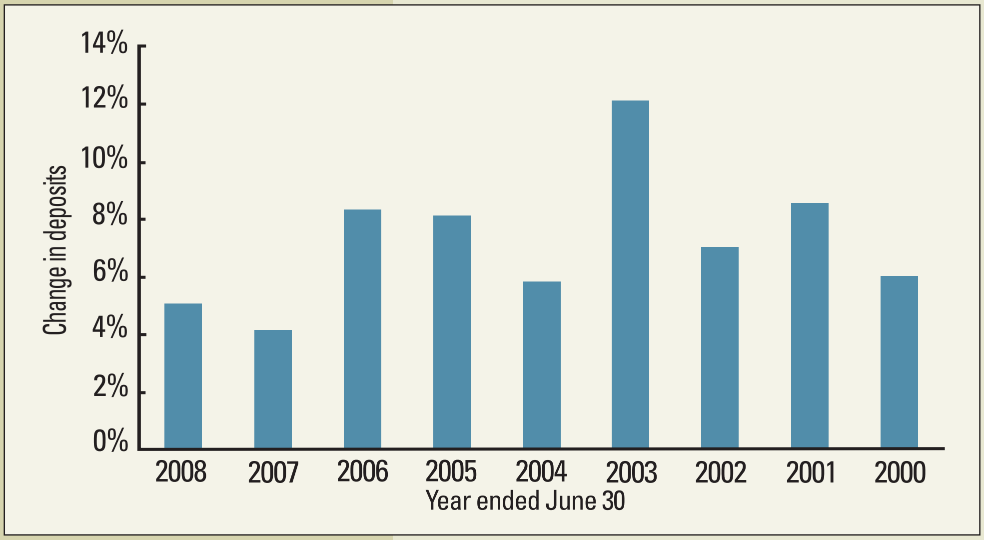
THE ART OF POSITIONING
bancography
BRANCH PRODUCT RESEARCH BRAND

Findings from the 2008 FDIC Branch Statistics

In October the FDIC released its annual branch deposit statistics, and in November Bancography released our latest edition of *Bancography Plan*, complete with the updated FDIC statistics. The FDIC data always reveal interesting trends in the U.S. banking system:



> Deposits increased by 4.8% from June 2007 to June 2008, higher than the 3.9% rate of the prior year but still below the pace of any other year since 2000. (see chart to left)

> Eleven metros added at least $5 billion in deposits over the past year, led by New York, Dallas, and Philadelphia. But five of the top 30 metros posted flat or declining deposits, as they were severely affected by the decline in real estate values: Miami, Riverside, San Jose, Phoenix, and San Diego.

> Four metropolitan areas added at least 75 branches in the past year: New York, Los Angeles, Houston, and Phoenix. Four major metros showed branch growth of more than 5%: San Antonio, Phoenix, Orlando, and Houston.

(continued on page two)

Dissecting Perceived Problems or Errors

In 2008, Bancography mined more than 20,000 business and retail interviews from its numerous Service, Satisfaction and Loyalty (SS&L) programs. Commercial banks and credit unions were included. In this study, respondents were asked if they had recently experienced an institution-created problem or error in the past six months. Seventeen percent of businesses and 10% of consumers reported that they had. Businesses report a larger volume of problems due to their complicated product and service needs, coupled with heightened sensitivity to issues.

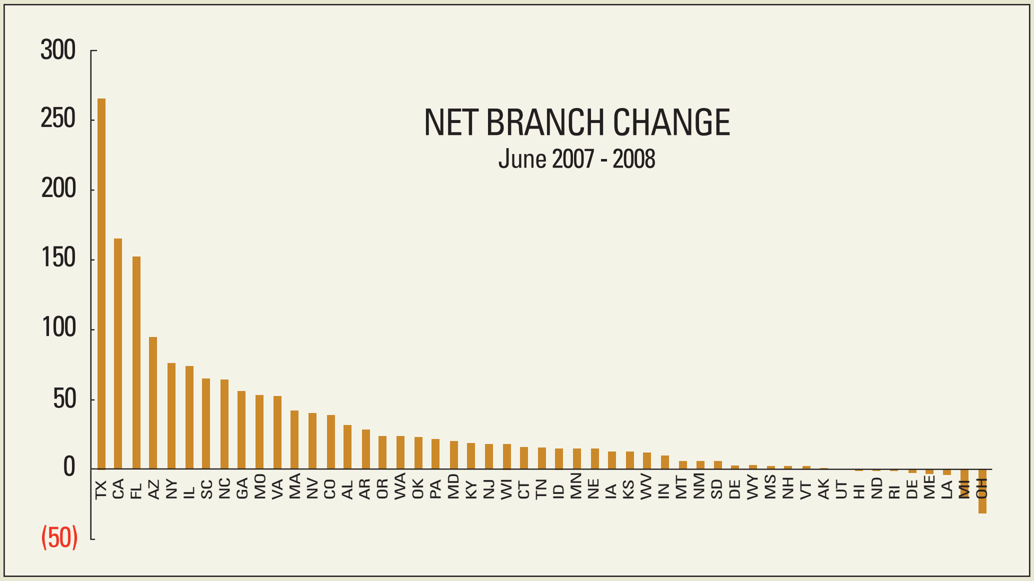
Respondents who experienced a problem were asked to describe it. As illustrated by the chart on the next page, these issues were grouped for analysis to understand experienced problems or errors. (Note the dramatic difference between businesses and retail.) A lack of branch *locations* received the most blame from 20% of businesses.

(continued on page three)

(2008 FDIC Branch Statistics continued from page one)

> Texas added more than 250 net branches during the past year, far outpacing any other state. California and Florida ranked next, each adding more than 150, while Arizona added almost 100 branches. Eight states showed a decline in the total inventory of branches. Ohio and Michigan were most acutely affected, showing net declines of 31 and 20 branches, respectively. (see chart below)

> The share of deposits held by credit unions remained at 9%. Since 2000, this proportion has changed very little, ranging from 8.6% to 9.3%.



Small Business Toolkit

In many ways, small businesses represent the heart of the United States economy. But they have yet to truly work their way into the hearts of many financial institutions. Small businesses often are a low priority for a financial institution's resources, which can cause sales, service quality and loyalty to suffer.

The *Small Business Toolkit* takes an in-depth examination of this overlooked market, and determines what financial institutions can do to improve their relationship with small businesses.

The *Small Business Toolkit* includes an analysis of interviews Bancography conducted with 25 small business owners, who were asked to detail exactly what their financial institutions do right, what they do wrong, and what is lacking. The small business owners also discussed the issues that concern them the most – from health insurance to tax increases – and explained who they turn to when seeking financial advice (it's rarely their banker).

The results of these interviews will help financial institutions better understand what small business owners are thinking. What do they want? What do they need? What keeps them up at night with worry? And how can the financial institution help?

In addition, the *Small Business Toolkit* presents 25 case studies from leading financial institutions about the new products and services they offer to small businesses. The case studies demonstrate what some institutions are doing to tap into this ever-growing market, which accounts for more than half of the private-sector workforce in the U.S.

(continued on page four)

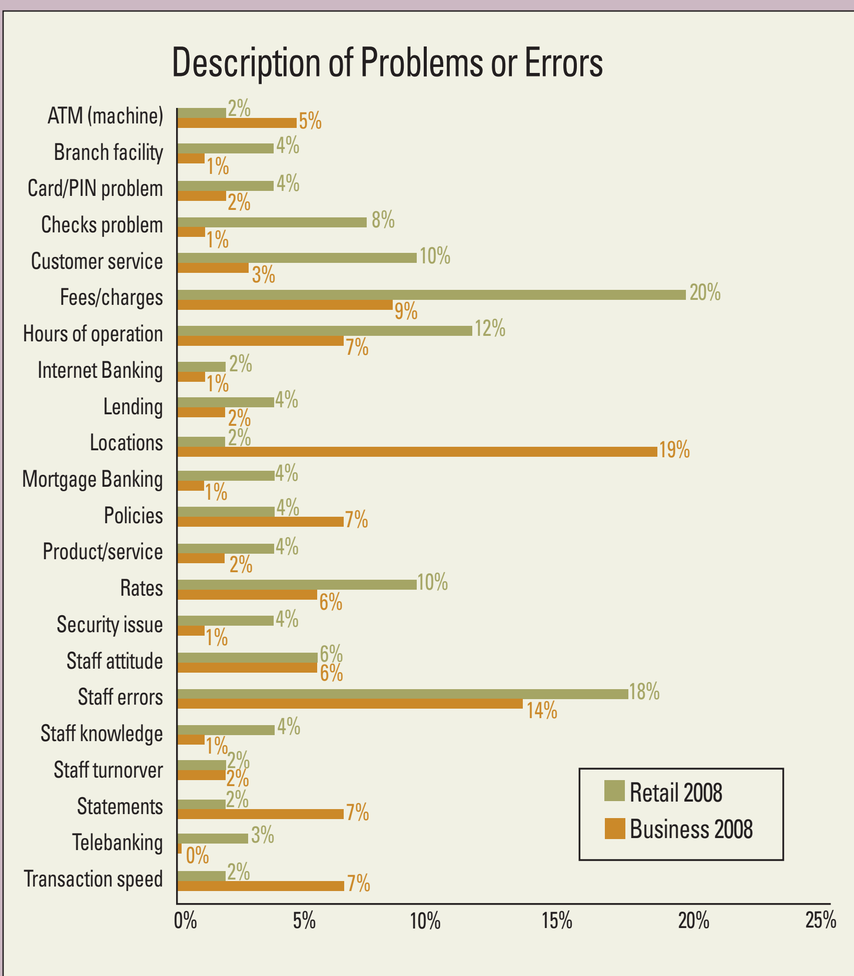
Small businesses often are a low priority for a financial institution's resources, which can cause sales, service quality and loyalty to suffer.

(Dissecting Perceived Problems or Errors continued from page one)

Bancography's most recent white paper ***Small Business Toolkit***, uncovered that businesses want convenience not only for themselves but for their employees and contractors. Deepening these relationships and maintaining branch expansion with primary competitors will best retain these clients.

For retail or consumers, *fees or charges* was cited by one fifth of the respondents. Bancography's attrition research found that the unknown or hidden fees are what infuriate customers, causing them to no longer trust the institution nor be loyal to the institution. Good communication in the onboarding process will mitigate the occurrence of this problem.

The second most mentioned issue by both lines of business was *staff errors.* This grouping entailed careless blunders such as encoding errors, inaccurate deposit totals and other miscues. Whether the issues were resolved satisfactorily is inconsequential, because now the institution is viewed as fallible. The *Customer service* category encompassed general complaints, not returning phone calls or poor or no communication. This grouping also falls under inadequate service quality, which happens to be one of the leading drivers of account closure and relocation of account to another institution.



Consistency, Consistency, Consistency

Consistency with your brand positioning, communication and expression is paramount to successful branding. Let's look at how being in-consistent leads to floundering. What do you think about when you hear the brand name, Pepsi? Chances are you think "Pepsi Generation". Pepsi owns that association, but for some reason chooses not to use it as a slogan. In fact, Pepsi seems to have lost its way. Since 1975 they have used these slogans… see which ones you remember:

1975: For those who think young
1978: Have a Pepsi Day
1980: Catch that Pepsi Spirit
1982: Pepsi's got your taste for life
1983: Pepsi now
1984: The choice of a new generation
1989: A generation ahead
1990: Pepsi. The choice of a new generation
1992: Gotta have it
1993: Be young. Have fun. Drink Pepsi.
1995: Nothing else is a Pepsi
2002: Generation Next.
2003: Think young. Drink young
2004: It's the cola

Thirty-three years ago, Pepsi-Cola was the number two selling cola in the United States. Today, over a dozen slogans later, they're still number two. The average Pepsi advertising theme lasts slightly more than two years. The average tenure of a Pepsi-cola chief marketing officer lasts slightly more than two years. What would have happened to Pepsi's market share if they had consistently marketed under the positioning of the "Pepsi Generation"? They owned a brand positioning and didn't take advantage of it. They didn't use it with consistency.

Marketing financial services is really no different than marketing a consumer product. Finding a simple, relevant and differentiating brand positioning that translates into a memorable slogan is key to separating your organization from your competitors. Consistent brands build consistent results.

(Small Business Toolkit continued from page two)

Visit *www.bancography.com/smallbusinesstoolkit.html* for more information.

Finally, the ***Small Business Toolkit*** offers comprehensive research on a number of important industry benchmarks, including customer service and satisfaction, customer loyalty, the reasons for initially selecting an institution and reasons for account closure.

The small business segment can be extremely profitable to the institution due to its breadth of product and service requirements, and the opportunity for the institution to cross-sell personal, investment and insurance products. And in this case, size doesn't matter. Even the 6.3 million small businesses with sales of less than $10 million still combined to account for $260 billion in deposits and $630 billion in loans.

The needs of small businesses provide numerous opportunities for financial institutions. The ***Small Business Toolkit*** contains all the necessary information to show institutions how to better tap into this potentially lucrative market.

For more information on the ***Small Business Toolkit,*** visit *www.bancography.com/smallbusinesstoolkit.html* or contact us at (205)251-6227 or *research@bancography.com.*

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